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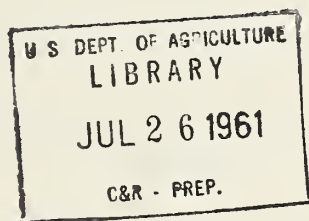


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TRANSCRIPT OF PROCEEDINGS
UNITED STATES DEPARTMENT OF AGRICULTURE
Conference on
POLICIES AND PROGRAMS FOR AMERICAN AGRICULTURE

Washington, D. C.

January 26, 1961



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UNITED STATES DEPARTMENT OF AGRICULTURE

CONFERENCE ON POLICIES AND PROGRAMS FOR AMERICAN AGRICULTURE

THOMAS JEFFERSON AUDITORIUM

U.S. DEPARTMENT OF AGRICULTURE

Washington, D. C.
January 26, 1961

The Conference on Policies and Programs for American Agriculture was called to order by the HONORABLE ORVILLE L. FREEMAN, Secretary of Agriculture, at 8 o'clock a.m., the Secretary of Agriculture presiding.

PRESENT:

ORVILLE L. FREEMAN
Secretary of Agriculture

CHARLES MURPHY
Under Secretary of Agriculture

DR. FRANK WELCH
Assistant Secretary of Agriculture

HERSCHEL D. NEWSOM, Master,
The National Grange

JAMES G. PATTON, President,
National Farmers Union

CHARLES B. SHUMAN, President,
American Farm Bureau Federation

HOMER L. BRINKLEY,
Executive Vice President
National Council of Farmer Cooperatives

MURRAY D. LINCOLN, President,
Cooperative League of the USA

AND

OTHER PARTICIPANTS.

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PROCEEDINGS

THE SECRETARY: With your indulgence, we would like to get started.

I think it well that we open this meeting with a minimum of formality and follow the format of informal discussion throughout.

I am ORVILLE FREEMAN and it is my privilege to serve you in this Administration as the Secretary of Agriculture.

The gentlemen on the platform here I am sure you all know. They will be making formal presentations in due course, and will be introduced at that time.

In the forefront of the hall are the newly appointed officials of the Department on a top policy level who I wish briefly to introduce to you so you might see them and if the occasion presents itself during the course of the day, you may wish to become personally acquainted or to refer to their attention something that will be of particular interest to you.

First of all, a man who is very well known here on the Washington scene who served in the United States Senate for many years as its specialist in agricultural matters and who has commanded the respect and friendship of all who have to come to know him, Mr. Charley Murphy, the Under Secretary of Agriculture. The Assistant Secretary for Federal-State Relations, who comes to us from the University of Kentucky where he served as Dean of the College of Agriculture, and formerly was a member of the board of the TVA, and is a member of any number of national organizations, a man with a fine record of public service, Dr. Frank Welch.

The Assistant Secretary for Agricultural Stabilization who is coming to us from his present assignment as Director of Agriculture of California is Dr. James Ralph. I haven't seen him here this morning. He was enroute under somewhat comparable circumstances as Mr. Shuman who flew all night to get here -- and for which we are deeply appreciative.

The Director of the Stabilization Service is a very vital post; from the State of North Carolina, Mr. Horace Godfrey.

A man known to many, an active farm leader and an active farmer himself -- as many of the gentlemen I have introduced are -- the Assistant Secretary for Marketing and Foreign Agriculture, Mr. John Duncan from Georgia.

I would like to go around the auditorium this morning and present each and every one of you which would only be proper and appropriate because I see here distinguished leaders in all fields of agriculture who have served agriculture and our nation well for many, many years.

The fact that we do not do so is purely a mechanical one rather than a failure to recognize your importance. We certainly wish to express our sincere appreciation of the fact that you are here at this conference.

The conference is called following, as you know, a meeting which took place in New York some weeks ago at which some of us were privileged to participate. It was thought that it would provide a very healthy starting point, as we inaugurate our new Administration here, to bring together farm leaders and those associated in agriculture in a conference to share views, and to integrate so far as can be done our thinking. We seek to learn from one another, and to become better acquainted with each other.

Naturally, with so many different groups and organizations, we face a very practical problem of a format that will make such a meeting one that will be useful.

The major participants are requested, because of their nation-wide activities and the scope of their organizations to make formal presentations. I think you can understand the practical impossibility of having every farm group and every commodity group participate in a formal way. We would be here, I think, for a week or more and in all probability the good results that I am confident are going to flow from our being together today might be lost under such a format. We beg your indulgence and cooperation in connection with the format that we have developed and which we hope will accomplish our purpose.

You have received a copy of the agenda. Permit me to summarize it very, very briefly.

The major participants here have been asked to make a formal presentation, directed toward the following general outline:

Objectives and goals of the American agriculture.

Short term measures to meet emergency needs.

Long term programs directed toward achieving basic goals and objectives,
and

Implications of such programs in relation to:

1. The consumer.
2. Depressed areas and needy individuals and families.
3. Internal economy in the United States.

4. American foreign policy and the use of American agricultural productivity to promote sound economic, social, and political progress in the world.

5. Needs and resources of the future.

They have been asked to speak to you for 20 minutes. The balance of one hour will be devoted to questions and responses. I would ask that they be kept reasonably brief.

Many of you have very kindly prepared a statement, which will be studied. The girls will pass up and down the aisle here, and if you will give them the statements they will be brought to the Secretary's desk where I assure you that the Secretary, the members of our staff and other appropriate people will give them very, very careful scrutiny.

The order of presentation is based on the date of organization of farm groups, and has no implication otherwise.

I plan to be with you all day, but beg your indulgence that I might be excused for an hour or so in mid-morning when the President has called the first Cabinet meeting. I will slip away to attend it, and return.

My associates and I will be happy to answer any questions we can.

Secretary Freeman's opening statement:

As I open this conference on policies and programs for American agriculture, and as I welcome you most sincerely to this conference, it is perhaps in order that, as the new Secretary, I share with you my position on the objectives and goals we should seek, and the guiding principles I intend to follow in our efforts to achieve these goals.

The problems of agriculture in the United States today, and the prevailing attitudes toward those problems, present us with a paradox that is both disconcerting and challenging. Agriculture in America today is an industry that, in terms of fulfilling its primary function, has achieved phenomenal success. For the primary function of agriculture is to provide food and fiber to meet human needs. Needless to say, nowhere on earth, and never in history, has agriculture met this function so well as it has in the United States today.

I am struck with some figures that came to my attention the other day. The average person spends only 20 percent of his disposable income for food. In Japan, its 40 percent. In Germany, its 45 percent and in Russia, its 65 percent. One hour of work today will produce twice as much food as was the case 40 years ago.

In other words, the most phenomenal success story in the economy of America is American agriculture. What a job the farmer and the group related to him have done!

The American consumer is better fed and at lower real cost, than ever before. American agriculture has abolished, here in America, one

of mankind's oldest anxieties, the fear of hunger and famine. Yet, American agriculture is referred to more often in terms of surplus or subsidy than in terms of success, and I would say to you frankly I am weary of both of them.

One reason why this is so is that, successful as American agriculture has been in achieving this major function, it does not today provide to farmers the reward that their success deserves.

It is a challenge we face, a responsibility we share, to change this picture -- to resolve this paradox.

Therefore, I hope we can all agree on the major objectives and the goals toward that end.

I believe that we must have a positive, constructive approach to problems of agriculture, directed toward three major goals:

First, we must insure the production of enough food and fiber to supply high standards for all Americans, now and in the years ahead. To this end, we must seek more effective distribution of the products of our tremendous agricultural productivity. We must expand the utilization of our agricultural products; with special concern for those in need, for those in distressed areas, for those whose nutritional standards and dietary habits are below the levels known to be essential for maximum health and physical vigor. We are taking immediate steps to implement President Kennedy's first Executive Order regarding contributions to food allowances for those in need.

Second, we must assure the efficient American family farm the opportunity to achieve parity of income without exploiting either consumers or taxpayers. Government must provide to farmers, as it has provided to other groups in our economy, the tools by which they can achieve equality of economic opportunity. There is no reason why those who produce -- and produce efficiently -- commodities essential to life, should not receive, for the capital and labor they invest in that production, a return that is comparable to the return received by others from similar investments.

Third, we must expand our programs to utilize our agricultural abundance as an instrument to encourage economic growth in underdeveloped areas of the world, as one of the greatest weapons for peace and freedom, and thus a source of strength for our nation and of security for our people.

I trust that there is general agreement on these objectives and goals.

In our efforts to reach them and achieve them, I intend to follow certain guiding principles.

First, I am convinced that success in this endeavor depends in no small measure on the extent to which we can achieve a much broader understanding of agricultural problems than that which now exists, particularly, but not exclusively, in the minds of the non-farm public.

Evidence of this need for greater understanding abounds. Only recently a Gallup poll revealed that the most frequent complaint on the part of the general public was concern about the increased cost of food; yet the fact is that the costs of rent, medical care and transportation have increased twice as much as that of food during the past 10 years. The relatively slight rise in food costs has been one of the principal non-inflationary aspects in our economy in recent years. If the prices received by farmers had increased in proportion to other prices, and if such increases had been passed on to consumers, Americans would pay billions of dollars more each year for food and clothing. And thus, in a very real sense all American consumers have gained, at the expense of the American farmer.

But there is little general public understanding, so little understanding, of these facts that we must, in effect, become salesmen for American agriculture. We must develop a recognition on the part of the general public for the contributions made by agriculture to the high standards of living we enjoy -- and a public understanding of the importance of a sound farm program, not only to farmers but to all Americans.

Second, I intend to seek the greatest possible cooperation, in the development of policies and programs for American agriculture, from farmers themselves, from farm organizations, and from the Congress of the United States.

I believe that farmer participation, from the local level on up, is essential to the successful operation of farm programs in a democracy.

I believe that farmers through their own cooperative organizations have done much to improve their own conditions -- and I believe that they can and should do much more, and that government should therefore encourage such activity.

I believe we must seek the widest possible agreement on broad programs in the interest of American agriculture. I know that this will not be easy. I know there are conflicting and sometimes opposing points of view. These differences, I think, are in part, due to the fact that in agriculture we have only recently shifted from an economy of scarcity to an economy of abundance, and there are some who have not yet adjusted their thinking to these new conditions. They are also, in part, due to differing, inevitable regional conditions and interests.

There will -- and there should -- always be differences of opinion in a free society. For my part I welcome them. But such differences need

not preclude a general agreement on objectives and goals, nor a broad consensus on programs essential to achieve these goals.

I am reminded a little bit of the small town editor back home who was asked where he stood on a particular issue and said, "I haven't made up my mind yet, but when I do, will I ever be bitter."

Thirdly, I hope that a final guiding principle in our development of farm programs and policies will be a recognition of agriculture in terms of its interrelationships with other aspects of our domestic and foreign policy.

Just as American prosperity can never be secure without a prosperous agriculture, so must a successful program for agriculture take into account our entire economy, including help for distressed areas, the interests of the consumers, our balance of payments problems, our national strength and security, and our position of leadership in the free world.

I intend to follow these guiding principles in our efforts to reach the objectives and goals I have stated. I most sincerely ask your help. I regard the task ahead as a real challenge and great opportunity.

The problems of agriculture are difficult and complicated. Our justifiable pride in the phenomenal technological and scientific progress that have tremendously increased our productivity must be matched by a firm determination to utilize the same degree of talent and effort to solve existing problems of effective distribution and adequate farm income.

As long as two-thirds of the people of the world are hungry, the problem of our agricultural surplus is a world problem as well as a problem of our farm States.

As long as millions of Americans lack adequate standards of nutrition in their diets the problem of stored foodstuffs is more than one of the storage costs to taxpayers and price supports to farmers -- it is an integral part of our effort to improve consumption and distribution.

As long as competent and efficient farmers, utilizing the modern methods and scientific advances that have made American agriculture outstandingly successful, are unable to earn a fair return for their capital and labor, we can have no sound and permanent health in the economy of the United States.

It is of concern to all Americans that we progress rapidly toward a solution of the farm problem. It is of especial concern to you, as representatives of farmers themselves. I am confident that by working together we can reach such a solution, and it is my hope that this conference will be a constructive step toward that end.

Now, before we begin the first formal presentation, and before I present the gentleman who will make it, I note that the Vice Chairman of the House Agriculture Committee is here, the Honorable Robert Poage from the great State of Texas.

Congressman Poage, will you stand up and be recognized?

MR. POAGE: Claude Wickard is here also, Mr. Secretary.

THE SECRETARY: Mr. Wickard, will you stand, please?

Now I am sure the gentleman I am about to present to you, and his background and long, long service to his country and to the farmers of this nation, need not be emphasized.

I would introduce him this morning, if I might be so bold, on a very personal note by saying that in the brief time I have been in Washington no one has been more considerate or thoughtful or more friendly.

Mr. Herschel Newsom is a wonderful human being and it is my privilege to present him to you this morning as the first major contributor.

MR. NEWSOM: Mr. Secretary, may I first say to you and your Under Secretary, your Assistant Secretaries, and to all of your co-workers, and to our own good friend former Secretary Claude Wickard, and all of our other contemporaries and friends, that I am sure I might presume to speak for a great many people in this auditorium in saying to you that your statement of objectives just now heard, and your statement of guiding principles which you expect to have influence your course of action and your decisions, comes as an additional great source of hope to me.

May I say to you that just before we actually present this outline of our current Grange position I would like to assure you, sir, that this is not something that has been generated recently or easily. It has come as a result of long consideration of a perpetual problem that, in our opinion, has been with us since the close of World War I--not now World War II. Some of the statements that are still current in the Grange's position are statements that were generated as long ago as 1924, as some of the problems that confronted American agriculture at that time and have not changed substantially except in their magnitude. And so, with real conviction that it is our duty to be as helpful to you and your associates as it is within our power to be, I pledge to you, sir, that we will do our very best to do exactly that. We want to be helpful. We will try to temper our insistence on what, in our opinion is the right course, with a reasonable tolerance for conclusions that you and your co-workers might reach so that we may continue to be helpful, despite a possibility of seeming divergence here and there because I could not subscribe to any set of objectives and principles more thoroughly than I do to those that you have just stated.

Now, may I say to you that from our point of view this is going to sound somewhat repetitious in view of what the Secretary has just said, but in our point of view the objectives and goals of governmental policies with respect to American agriculture should be to:

1. Obtain parity income for producers.

We emphasize parity of income -- rather than parity prices. Parity income should provide a return -- for labor, management, risk, and investment in reasonable relation to that returned for these factors in other segments of the economy.

2. Obtain income for farmers from the users of farm products -- not taxpayers.

Americans have both a moral and economic obligation to pay an American price for American farm products -- the same as any other segment of our economy receives an American price for the goods and services. Neither the farmers nor the taxpayers should be called upon to subsidize the consumers market basket.

3. Encourage abundant production.

a. To meet domestic requirements,

b. To provide an adequate reserve supply to protect against shortages and for purposes of national security,

c. To meet export requirements, and

d. To facilitate our nation's foreign policy and meet other international commitments.

Food and fibers must always be produced in abundance to guard against shortages and to meet other national requirements. This reserve or additional supply should not, however, be permitted to depress prices, or set the price of the total production, as it would do under ordinary demand-supply relationships. When this happens, producers are, actually subsidizing those who use their products.

4. Increase producer bargaining power.

The great difference in economic organization between agriculture and industry generally, is that industry is organized to manage its production and marketing, to operate profitably on the basis of costs -- even when operating at less than full capacity.

Farmers are not similarly organized. They have virtually no voice in determining the value or the selling price of our products. They do not have the bargaining power to pass along in price, their production and marketing costs, or to obtain a fair return on capital and management.

This weak bargaining position has made farmers defenseless against rising costs and resulted in a sharp decline in net farm income.

The Grange's domestic parity concept is aimed at giving farmers the means of enhancing their bargaining power comparable to that enjoyed by labor and business.

This would be accomplished by enabling farmers, acting together through various legislative devices, to exercise greater control and management over supplies and marketings.

5. Provide greater self-help opportunities.

Through the use of producer-managed supply, marketing and export programs to provide farmers with the framework for orderly marketing and market expansion tools, financed, controlled and operated by the producers.

6. Develop effective resource control measures to reduce the amount of land in production and balance productive capacity with market demands, and to reduce excessive carry-over stocks, and

7. Expand agricultural exports;

Through programs which would facilitate producers opportunity to compete for and gain access to world markets;

Through measures designed to eliminate trade barriers and other restrictive devices which discriminate against the United States;

Through measures to encourage economic development in under-developed areas consistent with the development and maintenance of export markets for U. S. agricultural products.

With parity of income to agricultural producers, as outlined in section (1) above, as the objective toward which all programs and policies should be coordinated and directed, the various measures outlined above would be developed on a commodity by commodity basis and be adjusted or modified from time to time, in terms of the rate of progress toward such objective.

In like manner, it is crystal clear that an acceptable yardstick for determining the extent to which producer bargaining power may legitimately be used -- and I am talking about a parity yardstick -- and the point at which discipline must be applied in its use -- would be established.

Short term measures of both legislative and administrative character, embracing methods of utilizing existing governmental stocks of agricultural commodities (and any other excessive carry-over) in the interest of sound domestic and international purposes and objectives, are capable of

development; both for the purpose of meeting emergency needs, and in terms of hastening the day when a soundly designed series of commodity programs can be made to function -- with increasing effect in achieving equitable agricultural income.

Such short-term measures should undoubtedly include a sound, land use program in combination with some measure of payments in kind as a means of regulating production during this period of reduction of excessive carry-over.

Long term programs, must clearly put major emphasis on a marketing (and management of available supplies according to end use and primary market requirements) philosophy; in order to increase the bargaining power of farmers.

Such increased bargaining power is entirely compatible with our American capitalistic system, which has, with reasonable consistency, been dedicated to the principle that opportunity to achieve reasonable economic progress shall be extended to all people -- through a system of, and here I quote from the Grange Purpose:

"Proper equality, equity and fairness; protection for the weak, restraint upon the strong; in short, justly distributed burdens and justly distributed power. These are American ideas, the very essence of American independence, and to advocate the contrary is unworthy of the sons and daughters of an American Republic." (Quote is from the Declaration of Purposes of the Grange, adapted in 1874).

The implications of such programs in relation to all Americans, are of tremendous importance -- because properly conceived, designed and administered, they would:

1. Raise net farm income to a level compatible with that of other Americans.
2. Assure consumers of an abundant supply of food and fiber at fair prices and at the same time reduce government farm program costs.
3. Progressively restore to private trade the handling and sale of farm products, and stop U. S. promotion of State trading.
4. Permit competitive sales in world commerce without taxpayer subsidy.
5. Allow competitive efficiency -- instead of government controls -- to determine farm production patterns.
6. Retain for producers the responsibility for the control of surpluses.

7. Assure farm operators a maximum degree of freedom in the management of their own business.

8. Permit price to serve its proper functions in the market place.

Conclusion: In our modern American economic structure, one man's price or wage becomes another man's cost of doing business or cost of living.

Protective economic devices, beginning from the very birth of our democratic republic, have made great contributions to the evolution of the industrial might of America -- though it has been our responsibility, as Americans, to consistently try to keep these devices in balance -- with respect to the best interest of all Americans, as well as with respect to the competitive effect on American industry.

In more recent times, it has been deemed wise and proper, through collective bargaining, fair labor standards, and other mechanisms and practices to raise the living standard, and the purchasing power of Americans, though it has again been necessary here, too, that we demand (or where need be, impose) discipline in the national interest.

It should be clearly apparent to all who would study our total American structure that it is now necessary that we recognize, within our complex American type of capitalistic structure, that in an industry as complex as modern agriculture, the development of commodity programs encompassing principles, enunciated above, will both serve America as a whole and her agricultural economy well.

Much progress has been made in this direction. Marketing orders and agreements -- the Sugar Act of 1936 and the Wool Act of 1954 (all these and more) are in conformity with our Grange Domestic Parity Concept.

It will, very properly, take time, and invite controversy, as we apply the lessons of experience in further developing this concept.

Indeed, there are some commodities, wherein we ourselves are not certain yet as to the necessary mechanics and devices to carry out the concept.

We believe strongly, however, that the concept provides a blueprint for building an array of effective commodity programs -- programs, under which farmers and rural America can become a legitimate part of -- and indeed, contribute to -- an increasingly great and dynamic America.

We further believe that such an America can and must have major influence on the course of history of the entire world, as we work toward the objective of consistently moving in the direction of the wisest sort of world-wide allocation of resources in terms of nutritional, economic and other needs of the world's people as well as in the terms of equity among Americans.

Thank you.

THE SECRETARY: Thank you very much, Mr. Herschel Newsom, Master of the National Grange, for that fine statement.

Not only did Mr. Newsom make his extraordinarily fine statement, but he made it well within the rules of the game; he made it in 15 minutes which means that we have now 45 minutes for questions, comment and discussion.

There is a record being made here which will be printed and made available. So, for the next 45 minutes and until the next participant, the floor is yours.

Would you kindly identify yourself by name and organization and please be reasonably brief.

Who will be the first floor participant?

The suggestion was made that we "have the whole load of hay and let them talk." I suppose Jim Patton said that. He is referring to the story about the preacher who moved out to the Western Plains and got a little parish and one wintry Sunday morning he woke up and there was six feet of snow. It must have been like Washington last week when it took me from 4:15 in the afternoon until 11:30 at night to get from the New House Office Building to Georgetown.

Now he looked out the window at all this snow. The bed felt awfully good. He rolled over and said, "I just won't go this morning. There won't be anybody there in this blizzard." But he was a conscientious fellow and after a bit he felt better of it and so he got up and dressed and plodded his way a quarter mile to the church.

When he got there, there was only one lone cowboy and he shook hands and visited awhile and then he said, "Jack, you and I are the only ones here. I suppose there is no use in having service."

Well, the cowboy looked at him and said, "Reverend, If I take a load of hay out to the pasture and only one cow shows up, I sure feed her."

He said, "O.K.," and went up to the podium and delivered a wonderful service. It went on a little longer than usual, but he felt it was very satisfactory when he completed.

He said to the cowboy, "Jack, what do you think of that"?

The cowboy said, "Reverend, when I talked about feeding the one cow, I didn't mean I would give her the whole wagonload full."

The suggestion is that we have the whole wagonload here and, if there are no particular questions or comments directed to Mr. Newsom's statement, we can certainly do that.

The next participant is well known to all of you; has been active on the farm scene, a militant fighter for farmer and for people everywhere in the world where there is need and where there is hunger.

I am privileged to present to you the President of the National Farmers Union, James G. Patton.

MR. PATTON: Mr. Secretary, Mr. Under Secretary, Assistant Secretaries, officials of the Department of Agriculture, my colleagues here on the platform and representatives of American agriculture.

May I first say that I was touched and pleased by your very fine opening statement. I was very much pleased with the fine statement my colleague Herschel Newsom made and find myself in a substantially wide area of agreement with you people on the things you said.

First, Mr. Secretary, I would like to say that in April, 1920 I asked the then President of the United States to call a summit conference of American agriculture, because I was sure that a summit conference of American agriculture could not be less successful than the one that had just failed. This being the second Conference of American Agriculture, it pleases us in the Farmers Union very much.

This Conference on Policies and Programs for American Agriculture, and the one in New York that just preceded it, represents constructive, forward steps toward a better economic climate in which new programs and new policies may be put into effect to help farm families.

I have confidence in the leadership of President John F. Kennedy and Secretary of Agriculture Orville L. Freeman -- this very fine and wonderful young man -- and I pledge cooperation now and end the days ahead specific programs are developed toward the objectives laid down by President Kennedy at the National Plowing Contest, Sunday, Oct. 9, 1960, and the agricultural platform of the Democratic Convention.

These are the same broad objectives that delegates to our most recent National Farmers Union Convention have given support.

Cooperation with Other Farm Organizations:

As we approach this new era for agriculture, we enter in a full spirit of cooperation, proposing to work with all farm organizations who will work with us as we have done in the past, to achieve the broad objectives which I have indicated we share with President Kennedy and his Administration.

It is my hope that as informed, responsible leaders of our respective organizations, we will make common cause with executive and legislative leaders as we move forward toward the short and long-range programs needed to assure farmers a higher net income and a fuller life.

Short Term Goals:

The short-range measures which I believe to be most important are as follows:

First, farmers have indicated support in many past referenda for programs to permit them to manage supply with assurance of fair prices. Existing legal authority as provided by previous actions of Congress and the Executive Branch afford this Administration the means to help farmers keep market supplies in balance with augmented demand. Where farmers desire to cooperate in such programs, I strongly urge that price support levels be increased and be administered wherever they can.

Second, programs to balance supply with augmented demand such as marketing quotas, marketing orders and agreements, authorized under existing law, should be strengthened and improved where possible and attention should be given to other measures needed by farmers to help them bring supply in line with demand.

I am for an orderly land retirement program administered by farmer-elected committees. I am not in favor of retiring whole farms under such a program.

Purchases and loans will be needed to supplement and make more effective these measures to help farmers manage their production and effectively market supplies.

Third, farm families with emergency operating and real estate credit needs should receive immediate assurance that adequate credit will be made available by Federal agencies to enable them to continue operation of their farms.

The future of many families on the farm depends on availability and adequacy of credit in 1961. I strongly urge, therefore, that priority attention be given to the ways and means of strengthening such credit facilities of the Department.

Such action, together with improved farm income programs, would encourage broader lending policies of both private and cooperative sources of farm credit.

Long Term Goals:

Farmers Union will support long-term programs as follows:

First, we seek an enabling act to authorize the Secretary of Agriculture to work with Advisory Committees composed of producers, to develop improved commodity programs for the purpose of insuring incomes to farmers for their labor, management and capital on a par with that earned by those in non-farm productive employment with similar capital investment, labor and management contributions.

This is a great unmet challenge to America, seldom thought of in farm programs or farm organizations and we are losing a tremendous quantity of capital production in the unemployed poverty stricken families of America who receive some, but comparatively little benefit from price support programs.

Second, we will support whatever national legislation, administrative action, and the financing needed to eliminate poverty in rural America.

I suggest that Senate Bill 1 be amended so that rural phases of depressed area programs can be assigned to the Department of Agriculture, just as it is assigned in other instances to other Departments, or at least permissive wording included.

This will require governmental action involving not only the facilities of the Department of Agriculture, but also the facilities of other government agencies, including the government departments of Interior, Health, Education and Welfare, Labor and Commerce.

Third, we will support a domestic food-use program to meet the needs of the unemployed, the aged, and the handicapped.

We prefer a food allotment stamp plan based on nutritional requirements as a means of meeting this objective. We commend the action of the President under an Executive Order which increased the quantity of food and the items of food to be distributed immediately to the needy under the program of direct distribution.

The need for further expansion of school lunch and milk programs grows with the increasing elementary and secondary school enrollment. Recent modest increases in these programs have not significantly increased the percentage of pupil participation but have made it possible only to meet minimal standards rather than move ahead.

Fourth, we will support an expanded Food for Freedom Program, including exploration of a multilateral program in cooperation with other free nations. It is my hope that President Kennedy will exercise leadership in convening, as he suggested he would during the campaign, of a world food conference in cooperation with the Food and Agriculture Organization and that such a meeting will result in progress being made toward an international food and fiber policy.

Such a meeting, I believe, would pave the way to greater use of food stocks in ways that will contribute most to helping the emerging areas of the world get their economic airplanes up to take-off speed to expand commercial markets and to equitably share these commercial markets through trade agreements where practical and not now in use.

The Department of Agriculture should take the leadership in eliminating usage of the term "surplus disposal." The emphasis should be on Food for Freedom with long-term commitments so that farmers of the free world can develop an international food and fiber policy and farmers in the United States and other commercial farming countries of the world can develop a domestic food and fiber policy or policies.

I hope that Secretary Freeman will take the steps necessary to substantially up-grade the stature of the Washington Committee on Commodity Problems.

I further urge the Council of Economic Advisers to the President of the United States to give special attention to the problems of American agriculture and the total annual goals which, under law, they are required to set for food and fiber needs for America, both domestically and internationally.

Fifth: For these programs to be fully effective, they must be supported by economic research and other services of a similar nature.

I recommend the creation of an agricultural economics administration with essential research and programming responsibilities concentrated therein to insure maximum contribution to program formulation and development.

Six: To insure the most constructive long-range use of our resources, there should be established at the White House level a Council of Resource and Conservation Advisors. The Council's responsibility should be that of insuring the use of resources in the public interest with particular attention to the future needs of the Nation.

The Department of Agriculture has major responsibilities in being charged with conservation of agricultural land, national forests and small watersheds.

Problems of larger watersheds involving large, multi-State areas must be solved. It is the need for coordination in the use of our natural resources on a national scale for present, as well as future generations, that I urge the establishment of such a Council.

Farmer-Consumer Relationship:

The problems of farmers cannot be solved by any action aimed at restricting the purchasing power of workers. We believe in close farmer-labor cooperation on economic problems.

We oppose all legislation which would infringe upon workers' rights to bargain collectively.

We believe it is important that every American be accurately informed on agricultural food and fiber policy as well as the contribution that farm people have made to the strength and growth of this Nation.

I respectfully suggest that the Secretary of Agriculture give serious consideration to creation of a Department, or Division in the Department of Agriculture -- a Department of Farmer Public Relations -- one that would tell the great story of agriculture, the vast increase in efficiency that farmers have made and the bargain consumers are realizing in being able to obtain high quality food in abundant quantities because of this efficiency, efficiency of American agriculture and related industries.

I suggest also that consideration be given to calling a farmer-consumer conference with representatives of labor, Congressmen from urban districts and representatives of all consumer organizations participating.

Such a conference should have as its principle participants the President, the Secretaries of Agriculture, Labor, Health, Education and Welfare. Its purpose should be that of bridging the gap of misunderstanding which has developed between farmers and their customers.

Family Farm Policy:

The family farm is the backbone of agriculture both in the United States and other areas of the free world. Those emerging nations that are building democratic institutions have as their objective a family-owned and operated agriculture. Where needed, land reform programs have been instituted. Cooperatives are not only sanctioned by these nations but encouraged by government policy and other steps are being taken to promote a family farm-type of agriculture.

Low yields and food shortages continue to plague those nations which ignore the family farm as the primary agricultural production unit.

Our objective should be to establish a national family farm policy to serve as a guide to the development of programs to strengthen and to protect our family farms.

Our objective should be to establish a national farm policy to serve as a guide to the development of programs and strengthen and protect our family farms and especially to strengthen the security and welfare of the families living on family farms.

Thank you.

THE SECRETARY: I gather it is the decision that we would have the whole wagonload here -- so we will go down the line.

Before we do, might I remind you that there is a complete record being made of everything that will be said here, when we get to the question and answer stage, and I have noted around the hall some folks who are serving on the personal staff of the Secretary, assistants to the Secretary as distinguished from Assistant Secretaries.

I can't see too well in view of the bright lighting in front, but out here to my left I think I noted a bit ago Doctor George Selke, who is serving as Executive Secretary.

Doctor Selke, are you still here?

He has gone.

Did Mrs. Jacobson leave?

Mr. Leonard, my Press Secretary is here. Rod, would you be identified?

Mr. Leonard and some of the fine folks in the department made the physical arrangements here. If you are satisfied, give the credit to the Secretary; if dissatisfied, please blame it on Leonard!

Seriously, it is my privilege now to introduce a man who has become known throughout the length and breadth of our land as a creative and imaginative thinker, one who recently was described in a publication as the "Vice President in charge of revolution", President of the Cooperative League of the United States which he represents here in making a presentation, and, also as you know, the President of a great cooperative, Nationwide Insurance Company.

My very good friend and yours, Mr. Murray D. Lincoln.

MR. LINCOLN: In the interest of time, I say I second the remarks in regard to the new Secretary of Agriculture and also the papers of the two colleagues that have just preceded me.

We have come here today not to review the past but to build for the future. The old formulas can no longer be used in a world striving toward peace and plenty. Our farm organizations grew in membership and influence in an era of farm policy that is coming to an end. Needed now are new ideas and new institutions in an attempt to bring greater prosperity for agriculture and greater abundance in food for a hungry universe.

It is my purpose here today to present only one major suggestion that arises from the basic philosophy and programs of the Cooperative League of the USA. In doing so, I have assumed that other representatives will speak on such subjects as farm price support programs and controls -- on the Soil Bank and soil conservation programs -- and on acreage allotment and marketing agreements.

It seems to me that the Cooperative League is well qualified to set forth a possible new approach to agriculture. At least 3.6 million farmers -- three-quarters of all United States farm families -- are represented through one organization or another in the Cooperative League.

Briefly, here are some of the institutions affiliated with the Cooperative League, and the number of farmers they represent:

1. The National Rural Electric Cooperative Association, which represents over four million rural electric cooperative members. Of this total number, some fifty percent are farmers operating farms in forty-five States.

2. National Cooperatives, Inc., which is made up of sixteen large regional and state-wide farm supply cooperatives in the United States. These include such organizations as Midland Cooperatives, Minneapolis; Farmers Union Central Exchange, St. Paul; Consumers Cooperative Association, Kansas City; and others. These cooperatives represent some 2.4 million farm families in twenty-six States.

3. Credit unions associated with farm organizations and rural church groups, which represent some 720,000 farmers.

4. A number of cooperatively-oriented insurance companies, including Nationwide Insurance, Mutual Service, and Group Health Mutual of St. Paul. About one-fifth, or 850,000 of the 4.2 million policyholders who own and control these companies are farmers.

For the welfare of these farmers -- for the welfare of the general public -- we must determine whether or not better returns from food production and distribution activities can be secured for all people. My conviction that we need a new approach to farm policy is based upon several considerations which I believe to be of critical importance to all of us in the years ahead:

a. The number of farmers in our population is steadily declining. If trends of the past decade continue, the number of farms will drop another 400,000 to a low of 3.3 million by 1965. Farm population will be down to about one-tenth of the total population. This makes direct legislative action increasingly tenuous. The public is already beginning to question large direct appropriations, particularly when the daily press bombards them with news about our mounting supplies of certain commodities and about the costs of storage involved in our price support programs.

b. The growing concentration of food buying by chain store systems -- a trend which seems to be on the increase -- presents a real threat to the farmers' ability to maintain adequate bargaining power.

In recent years, the fifteen largest food chains have accounted for more than eighty percent of chain store food sales, and the four leaders, for considerably more than half.

Chains have set up their own meat packing plants, operate extensive feeder lots, and engage in direct livestock buying activities away from the central markets.

Because of the magnitude of purchases, these practices tend to undermine the central markets and depress prices to the farmers.

As I see it, this shrinking in the scope of competition seriously threatens the welfare of farmers. The individual farmer, alone and economically unorganized except for his cooperatives, faces serious problems in marketing his products. This increasing ability of powerful buyers to set prices and control purchases carries with it potentially adverse effects for every farmer.

c. The increasing acceptance of packaged and semi-processed food by the consumers, with margins going to someone other than farmers, and giving evidence of possible major changes in food distribution.

Some Department of Agriculture people believe -- I think correctly -- that the farmer gets what is left of consumer food expenditures after marketing transportation costs are paid. As these costs rose in the 1950's, the farmer got less. The result has been a further expansion in the cost of the government's farm program.

I have witnessed and many times been a part of various earnest attempts on the part of a lot of people to better the farmers economic position during the last forty years.

I am one month ahead of you, Jim. I started in March, 1920 and as a result of these observations, I am of the opinion -- for what it is worth -- that you can never materially affect the farmers net income until it is possible for the farming industry to have in its possession the control of market and purchase service machinery, or what I call the price influence machinery.

d. The fundamental validity of President Kennedy's conviction, as expressed in his inaugural address, that the American people should ask what they can do for their country, not what the country can do for them. As applied to the problems of agriculture, I think that the American people in general, including farmers and others, should begin to think through what we might do ourselves through our own private, voluntary organizations, rather than continuously turning to government for assistance.

My approach to the farm issue is based upon another consideration. I cannot accept the premise that our vast surpluses are an unmitigated evil.

On the contrary, our ability to produce an abundance of food and fiber is, in my opinion, one of the strongest bulwarks of our form of government. I believe that it can be forged into a missile for peace and the democratic way of life among the vast, impoverished areas of humanity which will be superior to anything produced by the Pentagon.

Our unique contribution to Western civilization has been the discovery that, through the organization of science, industry and resources, a relatively small number of people on farms can produce enough food and fiber to supply an entire population.

I do not here debate the merits or demerits of various agricultural programs designed to restore better balance between production and consumption which are now in effect or which may be worked out in the future.

I am sure there is no single program which will answer all the problems and opportunities that are ahead of us.

Certainly, much has been done in our "Food for Peace" programs to expand consumption, and I am sure that much more can be done.

By so doing, we can help "those people in the huts and villages of half the globe" to break the bonds of mass misery, and at the same time help developing nations to achieve their quest for industrial growth. Our ideas on how to narrow the gap between the abundance here at home and near starvation abroad are contained in the task force report which I presented to President Kennedy on Tuesday.

In addition to the "Food for Peace" program, I think we can greatly expand what we are doing right here at home. We can make more and better use of cooperatives.

I have a profound belief in the value of the cooperative. Cooperatives should be developed which will function on an integrated basis from the source of machinery and feed through the delivery of processed food to the consumer. Such cooperatives, organized by farmers and others, have demonstrated over the years their effectiveness in providing machinery for people to serve themselves in meeting a wide range of needs -- marketing, purchasing, finance, medical care, housing, electricity, and a host of others.

All of us in this group are well acquainted with cooperatives, I am sure, so I will not attempt to outline their advantages or the scope of their activities.

It should be realized, however, that the general public is not well acquainted with cooperatives, and does not grant them the significant place in our economy that I feel they can serve if properly developed.

As I see it, the view that sound cooperatives can only be built by a few people who join together, study their needs, and start on a very small scale can no longer suffice. Until cooperatives are of substantial size and can acquire extensive distribution and marketing facilities of their own, it will not be possible to state fully what they can or cannot do in any field of activity.

Nevertheless, I can think of no single action or approach which has as much potential in terms of the values and goals of our democratic society as the extension of cooperatives by producers and consumers alike, both in the domestic and the international fields.

We have had many years of pioneering experience by farmers and others in setting up, producing, marketing, purchasing, credit, and other co-operatives. Generally, these institutions are as successful on the average, as any other type of private enterprise activity.

The cooperative solution is past the pilot-plant stage. Groups of farmers alone, as well as farmers and consumers together, have actually demonstrated through cooperatives that they can increase income for farmers while they lower food prices for consumers.

If we can see so much potential in cooperatives, you might ask, why have they not developed more rapidly. Why haven't the present cooperatives expanded into more areas of activity? Why didn't farmer producer cooperatives begin to process their own products and establish retail facilities? Few have done so. Why haven't trade unions helped their members organize consumer cooperatives as they have helped them set up credit unions?

I do not have complete answers to these questions, nor have I heard of anyone else who has an adequate explanation.

Cooperatives have much in common with democratic governments in the free world. Political democracy is not perfect, even where it has been practiced the longest. People in other lands are questioning it, even though they concede it has enabled us to reach a higher standard of material wealth and well-being than that achieved under any other known form of government.

In certain regions, political democracy has failed and been overthrown. But we still believe it is the best system. From my own experience, the same conditions apply to cooperatives. I think that they offer the best means of achieving economic democracy, even though they are not infallible.

This brings me to my specific suggestion -- which can be stated very simply:

a. Expand the facilities which can help the general public become better informed about cooperatives; and have personnel available who will help organize cooperatives in the same way that the extension service helps farmers and farm women with their production and household projects.

b. See that ample sources of credit are provided at reasonable return on interest and on suitable terms for the purpose of acquiring, organizing, or developing any type of producer or consumer cooperative.

c. Encourage Congress to undertake a full-scale investigation into the costs of food distribution and farm supplies so as to determine the nature of these costs, the impact on the farmer, and the extent to which they represent duplicate facilities or activities.

d. Provide assistance in setting up cooperatives in the international field which will facilitate the exchange of foods and services between countries on a people-to-people basis.

As an initial step in this program, I would like to propose that farmers be aided in acquiring storage facilities needed under our present farm programs. If necessary, legislation should be introduced which provides for a government auxiliary agency similar to the Rural Electrification Administration. This agency would assist in the financing and setting up of storage facilities and other cooperative enterprises.

In this proposal, I have approached the farm problem in the attitude of finding out what might be done in terms of people's needs.

Endowed as we are with abundant natural resources, favored with productive abilities, and with virtually unlimited possibilities, I think that in justice to ourselves and the people of other lands, we must keep an open mind toward all new approaches and methods. The building of strong, integrated cooperatives is one such approach. If we have the facilities to do this, I am sure that we can do much to create abundance for all.

Thank you, Mr. Secretary.

THE SECRETARY: Thank you very much Murray Lincoln, President of the Cooperative League of the United States of America.

Now, the program says recess for lunch. What is your pleasure? Shall we keep going?

(Chorus of "yes.")

THE SECRETARY: Well, that seems to be clear. For my part I am going to have to leave, and Mr. Shuman, I want to apologize to you for the fact that I am going to take off, but when Mr. Kennedy calls a meeting, I go

but quick. This is the first Cabinet meeting, and perhaps a historic occasion, and I feel a great thrill and privilege to participate in it.

Might I at this time ask the Under Secretary of Agriculture, Mr. Charles Murphy, if he would come up here and take over the Chairing of this meeting, perhaps for the balance of the morning depending on how quickly I can return.

I assure you that I will return immediately upon the termination of the Cabinet meeting.

Now, we will finish these five general presentations and begin the discussion, and I would hope that we will return and that all parties will return after lunch and that will give us ample time this afternoon. We will have an opportunity for everyone to comment and question and I hope to have a very lively give and take.

So at this time, for purposes of presenting Mr. Shuman and chairing this meeting for the balance of the morning, it is my privilege once again to present to you the man I have known for a long time who will be working very, very intimately and closely with you. I have the greatest confidence and respect for his ability and integrity and it is really an honor to be associated with Charles Murphy, the Under Secretary of Agriculture.

MR. MURPHY: I have been appointed here as Under Secretary of Agriculture. The fact is this is not true -- not yet, at any rate. This is a technicality I am willing to waive if the rest of you are. I will do the best I can to perform the duties of this office on this basis, for the time being.

I am delighted that, as my first semi-official act, shall we say, in connection with this position, is to present to this conference the able and distinguished leader of a great American farm organization.

It is a great privilege to present to you Mr. Charles Shuman of the American Farm Bureau Federation.

MR. SHUMAN: Thank you, Mr. Murphy.

Distinguished friends, we are happy to participate in this conference.

We agree that there is a real need for a careful reappraisal of existing problems, probable causes, and proposed solutions.

Above all, we need to take account of our experience to date with the difficulties and problems inherent in the use of political processes to solve economic problems.

As an introduction to our recommendations I would like to say a few words about the Farm Bureau, its members, and their philosophy.

Farm Bureau is an organization of 1,600,792 farm families with member units in 2,674 counties in forty-nine States and Puerto Rico. Our policies are developed through an extensive policy development program which involves study, discussion and action by the members, and their elected representatives, at literally thousands of meetings each year. Every member has the opportunity to participate, and all are encouraged to do so. We do not claim this process to be perfect. We are constantly seeking to improve it; however, we are proud of the fact that our policies reflect the active participation of hundreds of thousands of members.

As a general farm organization -- representing members who live in all important farming areas and produce all of the many farm products grown in this country -- Farm Bureau must, of necessity, reconcile regional and commodity differences. Our goal is to serve the best interests of agriculture from an over-all standpoint and to do so on a basis consistent with the national interest.

For example, our policies on international trade reflect an effort to strike a reasonable balance between the demands of some farm commodity groups for protection from imports and the more general interest of agriculture and the nation in a high level of mutually advantageous trade with other countries.

While we hope, and expect, to find areas of agreement at conferences such as this, it should be made clear that Farm Bureau leaders as well, are not free to compromise basic principles set forth in the policy resolutions as developed by the membership.

At times, this means that we cannot reach agreement with other organizations -- who also have a responsibility to represent the views of their members.

Such an expression of divergent viewpoints is both inevitable and desirable. After all, the final responsibility for public policy determination does not rest with private groups. It is the function of private organizations to represent the views of their members.

It is the function of the Congress to reconcile conflicting recommendations and to determine the policy that will best serve the national interest. The Congress should not encourage -- or permit -- either the Executive Branch of Government or private organizations to perform its role in policy formulation. We intend to insist that the Congress discharge its responsibility in this regard.

Objectives, Goals, and Philosophy:

A major objective of Farm Bureau policy is to create conditions which will make it possible for farmers to earn and get high per-family

real incomes in a manner which will preserve freedom. You will note that we stress "per family real income."

Farmers don't spend national income statistics. It would be easily possible to increase national farm income and at the same time reduce substantially the income of most commercial family farmers. We would expect this to happen if it should become national policy to reward inefficiency in order to keep a larger than needed number of people on the land.

Our philosophy with respect to government programs for agriculture is summarized in the following extracts from the policy resolutions adopted by the elected voting delegates from member State farm organizations at our most recent annual meeting -- December, 1960.

The fundamental basis for farm prosperity includes factors outside agriculture which affect the farmer's cost of operation; availability of free competitive markets for his products; his freedom and opportunity to make the best possible use of his individual resources; and the real value of his income dollar.

In order for farmers to properly prosper and keep pace with other groups in a changing world, we must have national policies that will contribute to:

1. High employment and rising productivity throughout the economy to provide the basis for rising living standards and a high level domestic demand for farm products.

2. A relatively stable general price level in order to avoid the painful economic and social disruptions that inevitably result from inflation and depression.

3. Effective and wide-spread competition as a means of promoting individual incentive and the efficient use of scarce resources. This means that no group -- whether it be business, labor, agriculture or the government itself -- should be permitted to exercise monopolistic powers.

4. The expansion of trade with other nations on the basis of mutual advantage. This is essential to our continued economic growth.

Recognizing the need to determine the appropriate role of the federal government in agriculture, we need to establish a yardstick by which proposed government policies for agriculture can be measured.

Government programs for agriculture should aid farmers in solving their own problems.

Promote efficiency in farming.

Be consistent with the law of supply and demand.

Provide economic opportunity for farm people.

Preserve the competitive principle.

Insure ample research.

Stimulate market expansion.

Insure our ability to feed an increasing population.

We believe government programs should not:

Stimulate excessive production.

Permit development of monopolies.

Freeze historical production patterns.

Open the way to price fixing.

Erode individual freedom.

Impede orderly marketing.

Shift adjustment burdens from one group of producers to another.

Recent discussion of farm problems has tended to obscure the fact that farmers have been hurt more by rising costs than by falling prices.

The all-time high for net farm income was \$17.3 billion in 1947; when gross income was \$34.4 billion.

In 1960 gross income totaled an estimated \$37.7 billion -- \$3.3 billion above 1947 and the second highest on record -- but higher costs pulled net income down to \$11.4 billion.

Thus, gross farm income has gone up \$3.3 billion since 1947, but production expenses have gone up \$9.2 billion and net farm income has dropped \$5.9 billion.

The upward trend in farm production costs is primarily a result of inflation, which has reduced the purchasing power of the dollar, and the ever-increasing use of purchased supplies.

Our first recommendation is that the government take effective steps to stabilize the value of the dollar, and that possible effects on farm costs be taken into consideration in connection with all government policy decisions.

The need for new farm program legislation varies considerably from commodity to commodity.

Although imperfect in some ways, the Agricultural Act of 1958 has resulted in a substantial improvement in the cotton and rice situations.

In the case of cotton (1) domestic consumption and exports have increased; (2) the carryover has been reduced from an all-time high of 14.4 million bales on August 1, 1956 to a prospective 7 million bales or less for August 1, 1961; (3) the upward trend in foreign production has leveled off; (4) domestic consumption of rayon has declined; (5) the export subsidy rate has been reduced; and (6) the national acreage allotment has been increased.

In the case of rice, the carryover has been reduced from 34.6 million cwt. on August 1, 1956 to a prospective 9.1 million cwt. for August 1, 1961. It should be noted, however, that export subsidies under the payment in kind program have been relatively higher for rice than for any other commodity.

In view of the progress that has been made under the 1958 Act, there is no need for new legislation on either cotton or rice. The important need is to administer the existing law so as to continue the progress that has been made.

The announced 1961 cotton allotment represents increases of 13.2 percent over the 1960 allotment as originally issued, and 5.3 percent over the 1960 allotment as revised to include the additional acreage allocated under the Choice B program. We believe that this allotment should be allowed to stand without change. There remains, however, the question of the 1961 support price for cotton.

A support price which forced an increase in domestic cotton prices would tend to encourage the use of synthetics, to increase the subsidy cost of maintaining a high level of cotton exports and to create new surpluses.

In view of this, we recommend that the support price be above seventy percent, but not more than seventy-five percent of the parity price -- that is somewhere between the legal minimum for 1961 and the percentage applicable to Choice A cotton of the 1960 crop.

The 1961 rice allotment has been set at the legal minimum which means that it is the same as in each of the preceding five years.

In view of the progress that has been made in reducing the carryover, we believe that it would be appropriate to raise the national allotment somewhat as an offset to the reduction in price support authorized by the Act of 1958.

This would make it possible to continue the present level of rice exports without increasing the cost of the special programs needed to move rice abroad.

Compromise legislation was enacted on tobacco last year, and we do not wish to recommend any important changes in the tobacco program at this time.

We want, however, to make it clear that we regard the tobacco program as a special case and not as a model that should be copied for other crops.

We recommend no change at this time in the peanut program.

New legislation will be needed for sugar and wool; however, time will not permit discussion of the special problems faced by the producers of these commodities whose production is less than domestic requirements.

The supply demand situation in the dairy industry has been favorable in recent years. Government stocks have been reduced from the peak levels of a few years ago and are still low; however, recent developments suggest that this favorable condition may change.

The rate of decline in cow numbers has slowed while production per cow has continued to increase. Support prices for manufacturing milk and butterfat were raised in September, 1960 for the period ending March 31, 1961, and this is likely to encourage greater production.

To provide assurance that dairy farmers will not again be confronted with surplus stocks, we urge that the present price support program be replaced by one that will keep the dairy industry on a sound basis.

We recommend that the basis for price supports on manufactured dairy products be shifted to a percentage of average market prices during the immediately preceding three years.

We oppose the use of production controls in the dairy industry. Analysis of proposed quota plans indicates that they would lead to reduced efficiency, limited opportunity, increased costs, lowered farm incomes, and the prevention of desirable changes in production and marketing.

Such plans would impose undue hardships on young farmers, other new producers, and those desiring to enlarge their size of business to increase efficiency.

We also are opposed to plans for the government to transfer income from some dairy farmers to other dairy farmers by taxing or penalizing the production of dairy products.

There are no government price support or production adjustment programs in effect for poultry, hogs, beef cattle, or fruits and vegetables. None is wanted -- and none is needed. Producers of these commodities have demonstrated that they can and will adjust production in response to change in market prices. The increase in hog prices from \$11.30 per cwt. in December 1969 to \$16.20 per cwt. in December 1960 illustrates the point as does the increase in egg prices from 31 cents per dozen in December 1959, to 44 cents per dozen in December 1960.

The soybean situation is also favorable. Prices are above the support level and have been rising in recent weeks.

The soybean program is an excellent example of what can be accomplished when price supports are used to facilitate orderly marketing rather than to fix prices at an artificial level.

It would be a serious mistake to raise the support price as this would encourage excessive production. It is not safe to raise a support price merely because market prices are above the support level. A guarantee encourages expansion by reducing risk.

Legislation is urgently needed to help farmers correct the unsatisfactory conditions that have been developing in wheat and feed grains.

The wheat program is a classic example of the difficulties involved in any attempt to fix prices and control production legislatively.

The feed situation has been seriously aggravated by programs that have diverted millions of acres from controlled crops to feed grains, oilseeds, and forage.

The feed grain surplus did not result from the elimination of corn allotments under the Agricultural Act of 1958 -- 85 percent of the 1960 corn carryover was accumulated before the present corn program became effective.

The corn allotment program did not restrict total grain production -- it merely encouraged farmers to shift from corn to other feed grains and oilseeds.

It makes no sense at all to restrict production of one grain and let producers plant their diverted acres to another grain. We must face up to our surplus capacity problem on an over-all basis.

Farm Bureau's recommendations for doing this are set forth in the following policy resolutions entitled, "Cropland Adjustment Program:"

In order to assist growers of feed grains, wheat, soybeans, and flax in adjusting production to market needs and provide for an orderly liquidation of government surpluses, we reaffirm our support of a properly designed and administered program to adjust production through land retirement.

Specifically, we recommend a temporary program which provides that:

1. The Secretary of Agriculture shall determine annually the over-all acreage adjustment of feed grains, wheat, soybeans, and flax necessary to bring production in line with anticipated disappearance. The Secretary shall also establish annually the percentage of cropland which must be placed under contract to qualify for price support on these commodities.
2. To be eligible for price supports on wheat, feed grains, soybeans, and flax, producers must participate in the cropland adjustment program. Cropland already in a retirement program shall be counted in determining compliance with this requirement. Producers of other commodities may also participate. (Whole farm participation should be encouraged.) Any cropland retired under the program in excess of the minimum requirement for price support must be placed under contract for at least three years.
3. Cropland adjustment payments shall be made at level which will encourage sufficient voluntary participation to attain the desired adjustment.
4. Adjustment payments may be made in cash or in kind. Emphasis should be placed on payment in kind, with care to minimize disturbance of the market price structure for grain.
5. Cropland retired under this program must be in addition to land normally left idle or fallowed.
6. Acreage retired under the program may not be harvested or grazed.
7. A maximum limit shall be placed on the percentage of cropland acreage that may be retired in any county after allowing for the minimum acreage required for price support. Acreage retired under previous programs shall not prevent participation in the annual adjustment programs.
8. Wheat acreage allotments shall be terminated.
9. The price support level on corn shall be related to the acreage price received by farmers during the immediately preceding three years. The support levels for other feed grains and wheat shall be comparable to the level for corn with adjustments for differences in weight, nutritive value, buyer preference, and supply demand conditions.
10. Adequate measures shall be taken to protect farmers from the competition of Commodity Credit Corporation sales from accumulated stocks.

The cropland adjustment program outlined above proposes to remove a basic cause of continuing low farm income by starting an immediate reduction of the agricultural productive plant to a size which will better fit farm output to market needs and open the way to orderly liquidation of accumulated government stocks.

It provides for voluntary participation by producers of all crops but requires producers who wish to qualify for price support on wheat, feed grains, soybeans and flax to participate.

Greatest emphasis is placed on the retirement of land from wheat and feed grains as these crops are in most serious surplus difficulty. The exact extent of acreage reduction necessary to bring forth the desired cut in output is very difficult to determine.

Table I shows the output use picture of wheat and feed grains in recent years and current carryovers:

TABLE I. Average Output, Disappearance, and Carryover of
Wheat and Feed Grains for Five Crop Years:
1956-60

Crop	: :Average :Produc- :tion :	: :Average :use : 1/ :	: :Production :as :percentage :of use :	: :Est. :1961 :Carry- :over :	: :Est. 1961 :Carryover as :percentage of :1960-61 :use
Wheat (mil bu).....	1,181	1,091	108	1,526	132
Corn (mil bu).....	3,862	3,678	105	2,094	52
Sorghum Grain (mil bu).....	521	402	130	675	124
4 feed grains 2/ (mil tons).....	152.5	144.8	105	85.6	54

1/ Including exports.

2/ Includes corn, sorghum grain, oats, and barley.

Assuming that market growth over the next few years will be at least proportional to output growth due to improving yields per acre, a reduction in output of 5 to 7.5 percent will just about balance current production with current market needs.

Any output reduction in excess of this amount will provide opportunity to start liquidation of government stocks; however, experience with past land retirement efforts indicates that the percentage cut in acreage would have to be substantially larger than the indicated percentage reduction in output in order to balance supplies with demand.

Table II shows approximate cropland acreage nationally, how the acreage is currently being used, and what the status of land devoted to specified crops would be under the proposed adjustment program:

TABLE II. U.S. cropland acreage by principle uses

Cropland-Grouped by Principal Use		Planted Acreage (thousands)
Group A--To be supported (without acreage controls) <u>1/</u>		
(Producers of these commodities desiring price support must participate in the proposed cropland adjustment program.)		
Corn.....all.....		82,906
Wheat.....all <u>2/</u>		55,633
Oats, barley, rye.....		52,177
Sorghum.....for grain.....		15,444
Soybeans.....for beans		23,516
Flax.....all.....		3,527
Subtotal - Group A.....		233,203
Group B--To be supported (with acreage controls) <u>1/</u>		
(Participation in the proposed cropland adjustment program is not required for price support on these commodities.)		
Cotton.....		16,068
Rice.....		1,614
Peanuts.....		1,579
Tobacco.....		1,144
Subtotal - Group B.....		20,405
Group C--Other crops and uses <u>3/</u>		
Conservation reserve.....		28,432 <u>4/</u>
Hay, cropland pasture, other crops, fallow, idle, failure, etc.....		177,609
Total cropland, all uses <u>3/</u>		459,649

1/ Planted acreage for 1960 as reported by USDA.

2/ Currently supported and controlled, but controls to be terminated under Farm Bureau proposal.

3/ 1954 U. S. Census of Agriculture -- data now used by USDA in Land Retirement Computations. New census data to be available in about six months.

4/ Under contract in 1960.

Under the Farm Bureau proposal all land listed in Table II under Groups A, B, and C -- except for an amount in Group C equal to that which is customarily Summer fallowed or left idle -- would be eligible for the land retirement program on a voluntary basis.

The acreage allotments applicable to crops listed in Group B would not be affected by the cropland adjustment program; however, farmers entering the program to qualify for price supports on a grain or oilseed crop would be required to retire a designated percentage of their total cropland.

For example, if producers should be required to retire 15 percent of their cropland to qualify for price supports on a grain or oilseed crop, a producer with two-hundred acres of cropland would be required to retire thirty acres even though he might have a twenty-five acre cotton allotment.

If such a producer wished to ignore the program he could still get price support on his cotton by complying with his cotton allotment, but he would be ineligible for support on grain and oilseed crops.

The proposed cropland adjustment program includes a new wheat price support plan whereby the national level of support for wheat would be comparable to the national level for corn after adjustment for differences in weight per bushel, nutritive value, buyer preference, and supply-demand conditions.

Under a relatively free market system there is, of course, normally a considerable range between market prices of the lower and higher grades of wheat.

In order to insure that market prices of all commodities affected by this program reflect the full value as determined by the current year's production relative to demand, the proposal calls for steps to minimize competition from CCC surplus holdings.

A major need in this area is to increase the margin between support prices and the prices at which the CCC can sell accumulated stocks for unrestricted use.

One of the more frequent questions regarding provisions of our proposal is:

"Won't the termination of wheat allotments result in a big increase in wheat production?"

Obviously, this question cannot be answered positively; however, a few points to consider are:

1. Total cropland acreage will be reduced substantially by the program. Payments should be sufficiently high to attract considerable wheat land into the program.

2. While an expansion of wheat acreage is to be expected in the traditional wheat country, average yields are lower in that area than in the newer wheat-growing areas where acreage is likely to decline.

3. Any increase in wheat acreage will, for the most part, mean at least a comparable reduction in the acreage of some other crop -- principally barley and sorghum.

4. The lower government price guarantee for wheat will tend to expand wheat markets and reduce the incentive to increase yields by greater use of fertilizer, irrigation, and other expensive yield improving practices.

5. Many farmers who are now growing wheat in higher cost areas under the fifteen acre quota exemption will likely find it more profitable to shift to the production of alternative crops as the support level on wheat is adjusted downward.

Farm Bureau's cropland adjustment program is a package proposal. It is designed to achieve needed adjustments in grain production on a basis consistent with individual choice in a market system.

While we have proposed that participation in the cropland adjustment program be made a condition of eligibility for price support on wheat, feed grains and oilseeds, major emphasis is placed on the use of cropland adjustment payments to encourage voluntary participation on the part of producers of all commodities in a land retirement program.

Under such an approach it is essential that the price support program be made consistent with production objectives.

This means that price supports should facilitate orderly marketing rather than fix prices at artificial levels.

By encouraging voluntary adjustments in land use, the cropland adjustment program will get adjustments in the areas and on the farms where it is most needed.

The provision for the voluntary retirement of whole farms will make it possible for some individual farmers to retire or shift to off-farm work. At the same time it will reduce the amount of cropland other farmers will have to retire as a condition of eligibility for price support.

Some may suggest that the solution to our problem is to raise support prices, set quotas in terms of volume and force farmers who wish price supports to retire a percentage of their cropland without direct compensation.

This alternative is unacceptable to the Farm Bureau. The point at issue is not simply a question of the means to be used in retiring cropland; it is a matter of ultimate goals and objectives. A program of higher

price supports and greater compulsion means increased government control of individual farming operations, reduced efficiency, smaller markets, increased export program costs and the capitalization of program benefits. Farm Bureau's cropland program moves in the opposite direction.

In order to solve the total grain problem, wheat must be placed on a comparable basis with corn and other feed grains.

Wheat producers have a right to compete for a share of the feed market; but only if they are willing to compete on a fair basis. We cannot agree to a multiple price program which would have the effect of dumping surplus wheat into the feed market on an unfair, subsidized basis -- thus adversely affecting the income of all producers of feed grains and livestock, dairy and poultry products.

We also are opposed to compensatory payments, and the various proposals for comprehensive supply control -- or supply management, if you prefer the latter term.

The compensatory, or direct production, payment approach is unsound and dangerous to our economic and political system.

Regardless of the form in which it is presented, a direct payment program would be fantastically expensive. It would stimulate production, increase average costs, depress market prices, and make farmers dependent on Congressional appropriations for their net farm income and a part of their production costs as well.

The payment approach carries a "cheap food" philosophy; however, in actual practice it would encourage inefficiency and thereby result in high food and fiber costs.

Limitations on payments to individuals are inevitable. Such limitation would place a ceiling on opportunity in agriculture and level individual farm incomes downward.

There is no magic in the supply management approach. It is simply another effort to fix prices at artificial levels and to ration the right to produce farm products. Production cannot be controlled effectively by legislation as long as producers are guaranteed attractive prices.

The difficulties of making controls work cannot be solved by turning the development of farm programs over to producer committees.

It is fallacious to assume that the producers of a commodity are the only people interested in programs for that commodity.

Congress should retain responsibility for determining major provisions of commodity programs as it is the only body where all of the affected people are represented.

Under existing law marketing quotas are subject to producer referenda. It is frequently inferred that objections to new control programs could be removed by submitting them to similar referenda. This is not necessarily true.

The first question that arises is, "who is to vote?" It is customary to restrict voting to producers of the commodity in question, but they are not the only ones who are affected by the outcome.

Producers of feed grains, livestock, poultry and dairy products, and other uncontrolled commodities have been adversely affected by the diversion of acreage from the quota crops.

Producers of feed grains, livestock, poultry and dairy products certainly should be permitted to vote on any proposal to dump surplus wheat in the feed market.

Aside from the question of "who votes" it should be clear that nothing can be solved by a referendum unless producers are given realistic alternatives.

Bad programs will not work any better simply because they have been approved in a producer referendum. The wheat program has gotten into serious trouble even though it has been repeatedly approved in referenda where voting eligibility is restricted to producers who expect to plant fifteen acres or more.

The cropland adjustment program is designed to help farmers solve the problems of over-capacity, accumulated stocks, and low farm income.

It would benefit consumers by causing farmers to produce for the market rather than for government storage; by conserving land and water resources for future needs; and by reducing the tax cost of government farm programs.

It is not designed, or intended, to solve the problems of depressed areas, or needy persons. It would, however, contribute to the development of the internal economy of the United States by encouraging a better allocation of the resources now devoted to agriculture.

The cropland adjustment program would improve our relations with other agricultural exporting countries by reducing the basis for the charge that our export programs constitute unfair competition.

It would permit the use of farm products to promote economic development in other countries to the extent that this is practical and in the national interest.

CCC stocks would continue to be available for some time to come. If the policy of making farm products available to underdeveloped countries on concessional terms is to be continued after existing stocks are liquidated, the government should buy needed quantities on the open market.

"Food for Peace" is an attractive slogan, but it calls for a realistic approach. The fact is that the United States has programmed over \$11 billion worth of agricultural surpluses to foreign countries since 1954.

We have an obligation to use our surpluses constructively; however, it would be a disservice to underdeveloped countries to encourage them to become dependent on concessional sales of surplus farm products.

We also have an obligation to avoid disrupting the commercial markets of friendly nations that produce for world markets.

It would be most unwise to relinquish control of large quantities of our agricultural surpluses for distribution by an international organization. We should recognize that other countries do not all share our interest in the preservation of commercial markets.

In conclusion I want to emphasize our belief that a change in the direction of agricultural policy is long overdue.

The cropland adjustment program is a practical approach to the solution of problems that have been aggravated by past programs. It is a voluntary program. It moves away from the detailed regulation of individual farming operations. It seeks to reduce total production -- not just to shift the surplus problem from one group of producers to another. It will reduce export program costs immediately, and total program costs as production is brought into a better balance with effective market demand.

The adoption of such a program would be a real step forward in agricultural policy.

Thank you.

MR. MURPHY: Thank you very much, Mr. Shuman.

I am now going to declare a recess so everybody will have a chance to stand up and stretch.

Let's take five minutes.

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MR. MURPHY: I have one announcement to make. I will repeat what I just said when the mike was not working. I said that if someone wants to cultivate a little bit of goodwill, write the Department of Agriculture, and if they will present me with just a modest gavel to use on occasions like this it will be appreciated.

I am told that many of the participants in this conference have asked for copies of the papers that have been delivered here. Copies are not generally available at this time, but a record of the entire proceedings, including the papers being presented, is being made, and I am told that a copy will be sent to each of the participants who have registered.

If there are some of you who have not registered you might want to take this into account and see that you are registered before you leave.

It is now my privilege to present to you the last of the speakers from the five major farm organizations, Mr. Homer Brinkley, Executive Vice President of the National Council of Farmer Cooperatives.

Mr. Brinkley.

MR. BRINKLEY: Mr. Under Secretary, friends and leaders of American agriculture, I want to assure you that this is still the same meeting, just a fresh start.

The Council regards this conference as a very significant milestone in understanding, cooperation and progress in American agriculture.

We regard this session as a privilege and a challenge to make a contribution to the stated objectives.

a. We regard these as being an abundant and fairly priced supply of high quality food and fiber with expanding markets for agricultural products both here and abroad.

b. A fair and equitable relationship between prices of farm products and costs of farm production supplies and family living so as to enable efficient farm families to earn and get, in the market, an income comparable to that of efficient non-farm families. This requires an economic climate and farmer bargaining power which will insure the ability to earn such income. We believe a proper role of government in this farm income area is to create a statutory and economic climate in which farmers are authorized, enabled and encouraged to help themselves reap the rewards of their expanding productivity and efficiency.

c. Effective programs to permit rural residents and farm families, living under conditions not suited to competitive commercial agriculture, to have the opportunity to achieve greater productivity and earning power.

Although it is not a primary goal or objective of agricultural policy, I want to comment on the great importance to farmers of steady economic growth of the country with full employment of people and resources, but without inflation.

Farmers have the most to lose by lack of high purchasing power and by erratic swings in tempo of economic activity. Farmers also have the most to gain by expanding consumer purchasing power which is created by economic growth without inflation.

I also want to comment on the role of farmer cooperatives in achieving these goals. This role is frequently overlooked and undervalued. Cooperatives are effective in influencing both farm costs and farm prices. They, therefore, make a double contribution to reducing the cost price squeeze and raising net farm income.

The grave economic weakness of farmers, as contrasted to the economic strength of individual firms buying, processing and retailing farm products, of individual firms producing and selling farm equipment and supplies and of labor unions is well known. Bigness and group action are conspicuous characteristics of our economy.

It is obvious, therefore, that one of the first steps in improving the economic position of farmers is to organize into groups for the purpose of purchasing supplies and marketing and processing their products. This they have done to a growing degree through cooperatives and, in many areas, have achieved more bargaining power in selling their products. This is most noticeable in those commodities with the greatest percentage of cooperative membership.

The Congress of the United States repeatedly has affirmed the policy and intention to reward farmers with a fair share of the national income. Farmers have shown that, with their own capital and resources and with business organizations under their own control they themselves can make a major contribution to this end.

There are many ways by which government should bring its influence to bear in order to create the proper climate for maximum self help effort on the part of farmers.

Measures which may produce short run benefits to bolster farm income, expand markets and to create a climate favorable for farmer self help programs are initially in the areas of administrative action:

1. Utilize such flexibility as may be available through Public Law 480 and related type programs for expanding markets and reducing surpluses already held by the government, and develop foreign economic policies which more adequately include the interests of agriculture as a major instrument of our international policy structure.

Such actions should include:

- a. Expanded trade promotional programs in foreign countries and more aggressive sales activities in order to expand markets and improve our own trade balances.

- b. Protection against the use by foreign countries of "common market" areas or agreements as devices to implement discriminatory practices

against U. S. farm products, or to abrogate concessions made by individual nations to the United States under the terms of the General Agreement on Tariffs and Trade, GATT.

c. Expedite the implementation of all concessions made for U. S. farm products under GATT, and fully compensatory concessions in the future.

d. Necessary aids to permit competitive pricing of U. S. farm products in competitive foreign markets.

e. More effective use of our products as capital assets in building balanced economies in underdeveloped countries which will be future agricultural markets.

f. Expanded market and distribution research in foreign markets.

2. Achieve better coordination and better protection for agricultural interests in broad programs of national economic policy which may place agriculture in conflict with other agencies of government. Our interests have not always been adequately recognized, and we find steadily growing areas of actual and potential conflict with other departments of government.

During the very recent past we have suffered from conflicting policies with such agencies as Health, Education and Welfare, Treasury, Labor, Commerce, State, and Justice. These conflicts have been sharp and they have been needless.

3. Utilize such flexibility as may be feasible in broadening the use of the agricultural marketing agreement Act of 1937. This may include decisions concerning approval of new applications for marketing orders and agreements and more effective broadening and coordination between geographic areas in which orders may operate.

4. Utilize such flexibility and additional funds as may be available to strengthen and broaden the Rural Development Program. This program has shown itself to be effective in attacking the rural poverty problem and it deserves continued and renewed support beyond the present pilot stage.

Long term Measures to Achieve Goals:

1. Achieve balanced land use, forest and water resources program. The rapid economic progress of this country was aided by vast amounts of new fertile land and abundant water resources. The unusual demands of World War I and World War II also brought more land under cultivation. Since World War II it has been clear that this land-use policy has brought more land under cultivation than is necessary for an abundant food and fiber supply.

At the same time rapid urbanization of the country has made water resources more valuable. The time is now at hand for a comprehensive and well coordinated land use and water resources program to be developed in such a way that it contributes to farm income, to conservation of land and water resources, to improvement of timber and wood pulp production, and to balanced industrial trade development of rural areas. Such a program would benefit the entire population, not just farmers.

A balanced land use and water resources program is an essential part of creating the over-all climate in which farmers, through their own business organizations, can cope with market problems peculiar to each commodity.

The principal responsibility for effective marketing of each commodity rests with the producers of that commodity. They are unable to cope with the problem of total resources in agriculture.

A balanced land use program is vital to an effective Rural Development Program which is required to benefit disadvantaged rural areas. It would provide the resources for local industrial development which would help create jobs for non-commercial farmers.

As total population rises and urbanization increases further, all natural resources become more valuable. Water is among the most critical of these and will become more critical as time passes. A program of watershed development, soil conservation and sound land use can and should receive a high priority in a sound national, long term agricultural program.

2. Achieve competitive equality for agriculture. I spoke earlier of the great discrepancy in competitive strength of agriculture as compared to that of labor and industry in seeking its share of the national income. This difference stems directly from variations in the opportunity of millions of widely separated individual farm production units to use the countervailing and competitive mechanisms necessary to earn higher income in an economic structure dominated by bigness and concentration of power and wealth outside of agriculture.

Throughout the years the Congress, by various enactments, notably the Clayton Act, the Capper-Volstead Act, the Cooperative Marketing Act of 1926, the Agricultural Marketing Act of 1929, and the Farm Credit Act of 1933, has declared a policy of encouraging the organization and operation of farmer cooperatives in the collective handling of the products of their members and the cooperative purchase of farm production supplies in order to permit their individual farmer members to compete more effectively in the national economy.

Recently, decisions of the U. S. Courts and administrative procedures followed by some of the Executive Departments have applied an unreasonably

restrictive interpretation of such legislation. This action has tended to minimize and, in some instances, nullify the practical value and benefits to farmers of this policy of the Congress.

The basic antitrust law to preserve competition was enacted over seventy years ago. Since then, competition has acquired a new face. The economic organization of industry, labor and agriculture has changed greatly. Production and distribution techniques have been developed which were unimagined seventy years ago. We have progressed from an immature to a highly sophisticated and complex society. This evolution in society has created a situation in which the administration of the antitrust laws operates to the disadvantage of farmers as compared to industry and labor in their efforts to earn a fair share of the national income.

We believe the time has arrived for a serious and comprehensive look at the antitrust laws, and particularly their interpretation and administration as applied to farmers, and their effectiveness in view of the new face of competition.

We favor new legislation or amendments to existing legislation which will make it clear that farmers, through their cooperative associations, have the right to grow in competitive strength and to utilize techniques such as mergers, consolidations, joint selling agencies, and other means to create an economic structure which will assure equality of opportunity with industry and labor in earning their equitable share of the national income.

3. Amend and broaden the Agricultural Marketing Agreement Act of 1937. Such amendments would make this Act more useful to farmers in developing bargaining power and would permit more effective control of seasonal or annual surpluses.

This authority should be broadened to provide for inclusion of additional commodities to which marketing orders and agreements are adaptable, to enlarge and clarify the authorization for agencies established under marketing orders to engage in or finance research and/or market promotion activities, to provide for continuous operation of marketing agreements and orders despite short term price variations, and to provide for expansion to encompass such geographic areas as are desirable to carry out the intent of the Order.

In addition, we recommend introduction of new or amended legislation of the marketing agreement and Order type to apply to producers only. Such federal producer marketing orders should enable producers to develop marketing programs of many types and in many areas in which they are now weak and ineffective.

4. Clarify tax treatment of farmer cooperatives and their patrons. The clear intention of the Congress in 1951, in the changes made in the

tax treatment of farmer cooperatives, was that the savings resulting from the operation of such organizations should be subject to a single tax. However, a number of court decisions since 1951, which, in December 1959, were adopted by regulations as the official policy of the Treasury Department, tend to prevent the carrying out of this intent. Any manner of tax treatment for cooperatives and their patrons in conflict with this intent will discourage and hamper the sound growth and operation of agricultural cooperatives and adversely affect the farmers who own and control them.

A sound tax policy for farmer cooperatives and their patrons is vital to the farmers' ability to assemble capital necessary for growth and expansion. The urgent need of farmers for access to more capital is discussed below. We welcome the opportunity to work with the new Administration in developing a sound agricultural policy in this area of taxation of farmer cooperatives and their patrons.

5. Improve the credit and financial resources available to farmers and their cooperatives on a sound basis.

Intensive competition among individual farmers to reduce costs and to enlarge their operations is causing them to make large scale capital investments on their farms. They are, at the same time, required to make heavy contributions to their off farm operations in purchasing and marketing cooperatives.

Such investments are necessary to inject competition into the markets for farm production supplies and farm products and to build the processing plants and utilize vertical integration and large scale operations necessary to achieve greater bargaining power. This double load of financing has reached burdensome proportions.

We recommend that a thorough analysis and review of this situation be conducted with a view to devising new and strengthening established credit structure more adequate to meet the needs of farmers in the 1960's.

6. Achieve a better balance in research efforts in production and marketing fields. We all know that the federal and state system of research, teaching and extension in agriculture has been one of the greatest efforts promoting national economic progress that could be devised in agriculture. There are, however, two effects from the introduction of new technology into agriculture. They are cost reduction and greater output.

Our agricultural research effort is helping to create burdensome surpluses and this, in turn, depresses farm income.

We believe that a balance in our agricultural research program should be devised so that it contributes to raising farm income as well as

reducing costs. We favor expansion of sound production research activities, but we believe it should be balanced with at least equal emphasis on marketing research.

This means more agricultural marketing research concentrated in the areas of expanding domestic and foreign markets and areas of improving farmers' selling strength.

More specifically, such research should include new and industrial uses for farm products, improved nutritional practices, market demand studies, market structure studies and long range planning on specific commodities.

Such a program also includes more support for the valuable research and service activities of the Farmer Cooperative Service.

Implications of above measures:

a. For Consumers: In recent years, as total agricultural production has outrun demand, the balance of economic power and the terms of trade for food and fiber have become more favorable for consumers and less favorable for farmers.

Nearly all the benefits of technological progress and productivity have passed to consumers. U. S. food consumers now have fabulous choice and variety and quality in their foods and get it at lower real cost (in terms of working time per unit) than consumers in any other country. Food is truly an outstanding bargain.

If the above measures were all fully effective and operative consumers would pay slightly higher prices per unit for their foods, it is a sound economic principle that farmers should receive their income through prices paid by consumers. The demand for food and fiber is of such a nature that a small increase in retail food prices can, under proper conditions, result in a substantially higher percentage increase in farm prices.

Consumers will continue to receive the benefits of efficiency in production resulting from new technology and large scale operations. There will be no reduction in variety or choice of products. Consumers will continue to be fully protected by the competition among 250 or more commercial farm products for their patronage.

B. For depressed areas and needy individuals:

The measures recommended above take full account of the existence of "pockets of poverty" in agriculture. In these areas the talents, training and productivity of many individuals are low. As a result, incomes are low and a program suitable for commercial producers does

not meet their needs. The Rural Development Program is well designed to meet this special situation and should be broadened. It should be supplemented by educational opportunities for those who can and will take advantage of the vast range of jobs which a dynamic society must continue to provide, both in rural as well as urban areas.

In addition, these measures recognize needy individuals and families in urban areas. Surplus food has been available for distribution to these families and should continue to be available. The School Lunch Program has been an effective measure to raise quality of diets and to teach sound nutritional practices to children. It too, should be maintained in face of the need for it.

C. For the internal economy in the United States:

The measures recommended above promote efficient and low cost production of farm products and hence, continue the great contribution to economic progress which agriculture has made.

These measures continue to provide important support for urban industrial and distribution sectors of society, and strengthen rural society while doing so. This contributes to mobility, earning power and a more equitable disposition of the nation's manpower.

These measures continue to depend upon competitive markets to guide production and distribution and our private market system at home and in foreign markets must not only be preserved but made progressively stronger and more effective.

D. For American foreign policy:

The promotion of sound economic and political progress in under-developed countries of the world is a fundamental part of United States foreign policy. U. S. agricultural productivity has, and can continue to advance these goals through the Food for Peace Program.

Our stocks of grain and other products should be considered assets in this program rather than liabilities. The measures recommended above call for selective strengthening of the Food for Peace program while maintaining safeguards to insure progress in meeting longtime domestic farm problems, and strengthening the commercial market system.

E. For Resources and Needs of the Future:

The measures recommended here are principally concerned with achieving a better balance in total food production and total food requirements of U. S. citizens.

U. S. agriculture, in the past, has shown tremendous reserve strength in meeting demands caused by war, drought and other disaster. The measures recommended here do not, in any way, impair the ability of agriculture to continue to meet emergency situations in the short run and rising domestic and foreign demands in the long run.

In conclusion, farm programs should be regarded as instruments of self help. Emphasis should be on establishment of a climate of opportunity with full recognition of the fact that varying methods matched to varying conditions may be required of government. But the over-all interests of the nation's agriculture should not be fragmented and divided in the process; nor should farm programs be divorced from economic reality.

The whole nation is concerned about the highly publicized existence of surpluses, whereas, a basic problem is our enormous capacity to produce surpluses and in so doing, to create a permanent buyers' market condition with its attendant problem of declining farm income.

We submit that there is no one farm problem and that there is no magic key to its solution. The problems of agriculture match its size and its complexity. Pursuit of one-shot solutions will be an exercise in futility.

Our preceding comments are designed to emphasize the importance of bringing to bear a great range of approaches to the many facets of a national problem which has been tragically over-simplified in the public mind.

Basic parts of that national problem have their roots in the need for building and revitalizing rural America; creating a climate of opportunity for efficiency and progress; protecting the ability of farmers to retain their fair share of the fruits of their productivity and all of these founded on the principle of helping farmers to help themselves.

Its time to face the issues:

During the months ahead -- including the approaching session of the 87th Congress -- major attention will be focused on the economic plight of the nation's agriculture. With farm income steadily declining while the general economic level is rising, there perhaps never was greater need for sound steps to make it possible for farmers to earn and get their fair share of the national income.

Listed below are some of the important issues facing farmers and the nation -- issues which must be faced and now is the time to face them.

Bargaining power for farmers -- In an economy of bigness -- in business, finance, industry, labor and government -- the individual farmer has little or no bargaining power in comparison with those who

handle his commodities and those who produce and distribute his production materials. The only immediate help available to him to enhance his bargaining power is the cooperative which he and his fellow farmers own and operate. For this reason, it is imperative that the Congress create and maintain a climate in which farmer cooperatives can operate effectively and efficiently, and without continued harassment from within and without government. The platforms of both major political parties pledge encouragement to farmer cooperatives. This is a word easily defined and readily understood. It must be directly related to bargaining power in the market place, or else be an empty gesture.

Marketing efficiency -- More progress has been made in production methods in the past twenty-five years than in all of previous recorded history. American farmers have won the race between food supply and population growth, and fairness to farmers demands that more attention be paid to marketing research and marketing efficiency. Low cost methods of manufacturing, transporting, and distributing the nation's food supply have been of immense benefit to producers and consumers. In spite of this, marketing costs have continued to rise because of creeping inflation in the economy.

Improvements in marketing farm products should mean much more than marketing efficiency or reduction in costs of transporting, processing, wholesaling, and retailing.

These are highly important but they are not enough because, under today's supply conditions and a chronic buyers' market environment, the benefits of high production accrue mostly to consumers rather than being shared equitably between farmers and consumers. Improvement in marketing must be interpreted to mean improvement in the terms of trade for agriculture.

Farmers must have sympathetic help and understanding in their efforts to bring about marketing efficiency, else they will continue to be denied the benefits of their production efficiency.

Agricultural research -- Research and extension programs historically have been designed for ever more production and production efficiency. This program has contributed materially to the building of a highly efficient agriculture. But our know how in marketing and distribution has lagged far behind.

The Council believes that, in the total complex of agricultural production and distribution, production is only part of the job. Added emphasis must be placed immediately on marketing and utilization research -- not at the expense of production research, but as a supplement to it.

Such additional research must be directed at expansion of markets both at home and abroad and, therefore, should include nutrition,

improved distribution, industrial uses for agricultural commodities, development of more sales opportunities and development of new crops. We must move quickly to balance marketing ability with productivity, and emphasize the importance and value of farmer cooperatives in this undertaking. Also the need for adequate research on matters specifically related to farmer cooperatives is urgent.

Tax treatment of farmer cooperatives and their patrons -- In dealing with this subject, Members of Congress have a clear opportunity to prove that their professed desire to encourage agricultural cooperatives is a sincere conviction and not a mere vote-getting declaration.

Farmers who join together in agricultural cooperatives understand fully that their own economic interests and the interests of their cooperatives are inseparable. Likewise, they understand equally well that any action that will hamper the operations of their cooperative, adversely affects them as individuals.

The position of the National Council is and has been that net earnings resulting from the operations of a cooperative should be subject to a single tax. Cooperatives operate on a cost of doing business basis for the primary purpose of providing essential services to patrons and thus enhancing their incomes from farming.

Under such operations and purposes, the savings resulting from operations of the cooperative and distributed to the patrons under an obligation and agreement to do so, represent income to the patron. Such amounts are, and must be, excludable or deductible by the cooperative; and the right of members and patrons to receive such amounts as income, whether in cash or non-cash form and to invest this income in their cooperatives either directly or by set-off, must be recognized.

Under these sound legal and economic principles, the tax liability is on the cooperative for the income that it can keep and use as its own without any authorization on the part of the patrons whose business produced such income; the tax liability is on the patron with respect to that income distributed to him pursuant to contract even though invested directly or by set-off in his cooperative.

In any statutory or administrative plan for implementation of these principles, provision should be made to protect members and patrons of cooperatives from having to pay a tax in the same year on redemptions of prior non-cash refunds and on new current issues.

Such provision is necessary and justified in view of the lack of uniformity, consistency and certainty in the policy of the Treasury Department in the past with respect to when the farmer should pay the tax on such refunds.

Any manner of tax treatment for cooperatives and their patrons in conflict with these basic and primary principles will discourage and hamper the sound growth and operation of agricultural cooperatives, and adversely affect the farmers who own and control them.

Antitrust -- The problems uppermost in the antitrust field are those arising from the decision by the U. S. Supreme Court on May 2, 1960 in the Maryland and Virginia Milk Producers Association case. Several committees of the Council now are working on these problems.

This much is clear: This Supreme Court decision prescribed a very limited or almost non-existent protection for farmer cooperatives from the general application of the antitrust laws.

The Supreme Court, in effect, has declared that the Capper-Volstead Act gives farmers the right to organize cooperatives and for the co-operatives to exist, but the manner and extent to which they can grow and expand and carry out the marketing and related activities authorized by the Act must be subject to and superseded by the provisions of all other antitrust laws.

It is clear that a vigorous application of the law as interpreted by the Supreme Court will make it practically impossible for farmers, through their cooperatives, to develop the bargaining strength essential to compete effectively with the present-day aggregation of economic strength in our other segments of the economy.

Farmer cooperatives seriously need legislation which will give real meaning to the declarations in the Capper-Volstead Act, and spell out those reasonable and necessary steps that farmers might take through their cooperatives to effectively compete in the market place without being subject to threats of prosecution by the Department of Justice.

Foreign markets -- Markets in foreign countries are vitally necessary for much of our production. But their value to us depends on the purchasing power of the people. Essential to their own welfare and to ours is development of sound economic growth, especially in the underdeveloped areas. People without the means to pay do not become good customers.

The Council believes that the economies of underdeveloped areas must be developed largely by private investment, because with private funds will go technical know how and skilled management.

The Council supports encouragement by government of the flow of private capital abroad; U. S. participation in the International Development Association; continuation of Public Law 480, with provisions for use of foreign currencies obtained from sale of surplus U. S. farm commodities for loans to private concerns for economic development projects and for market development activities abroad; and other sound measures aimed at lasting economic development.

The Council also favors provisions in the foreign aid program which will permit and encourage use of surplus agricultural commodities in place of dollars in assistance projects, and the principles of the Food for Peace Program.

An essential part of all foreign economic development and surplus disposal programs must be effective means for providing proper protection for the private marketing system in international trade.

Inflation -- Creeping inflation, as experienced in the last decade in this country, rates second only to over-production as the major cause of farmers' present unsatisfactory net income position. Farmers' gross income has been rising but net income has been falling because of rapidly rising costs.

Farmers have been hurt far more in the past decade by rising costs than by falling prices. Creeping inflation is primarily the result of granting wage increases in basic industries in excess of that warranted by labor's share of productivity increases, and from the market power of industry which makes it possible for rising costs of operation and expansion to be passed along to farmers and consumers.

Creeping inflation has been tolerated on the basis of its alleged contribution to "full employment" and its mistaken identification as an ingredient of economic growth.

The Council believes that a high level of employment and a stable price level are entirely compatible and that both must be sought simultaneously. Rising prices for farm production supplies accompanied by falling farm prices are the elements of the cost price squeeze, so destructive of farm income. Satisfactory net farm income can be reached only by attacking both of these elements.

Agricultural transportation -- although many transportation proposals of importance to agriculture and farmer cooperatives are in prospect for the next session of Congress, they largely will involve the clear, simple issue of whether we are to have more or less regulation by the federal government of the movement of property in interstate and foreign commerce.

The vocal advocates of more regulation will seek to reduce the free choice farmers now have as shippers to operate their own trucks or use "exempt" carriers if they find their services more satisfactory and economical than fully-regulated carriers. Many proposals are being considered in responsible Congressional circles which would reduce greatly the adequacy, availability and flexibility, as well as the competitive rate benefits under existing law, in the distribution of agricultural products in raw and processed form and the procurement and distribution of farm production supplies. The central theme of applicable Council policy is against any expansion of regulation from Washington.

Agricultural labor -- As residual receivers of income after suppliers of farm production materials and handlers of raw agricultural commodities and their employees have taken their payment, farmers have seen their incomes steadily decline over the past several years -- at the same time that the general economic level was rising.

A primary reason for this has been increased costs -- both in production of supplies and handling of raw commodities -- as the result of steadily rising wage rates.

The Council is opposed to any moves, either by legislation or administrative ruling, which will result in imposing on the rural economy industrial standards of wages and hours regulations.

The Council favors extension of the Import Farm Labor Program without provisions authorizing the Secretary of Labor to establish working conditions and terms of employment for imported migratory workers.

Marketing agreements and orders -- The National Council supports marketing agreements and orders as a means of improving farmer bargaining power. Such agreements and orders are no panacea for agricultural overproduction, but, under government supervision so as to protect the interests of farmers and consumers, they have made and can make further contribution to the functioning of an integrated agricultural economy under farmer control and operation. Expansion of agreements and orders should insure that a majority of the producers by number and volume signify their desire to be included.

Marketing agreements and orders provide farmers the tools to improve quality, to achieve orderly flow of the commodity from production areas to consumption areas throughout a shipping season or a year, to achieve better advertising and promotion programs, to direct research studies to specific problems of vital importance, and under certain conditions, to cope with over-supply by effectively matching supplies with current demand.

Marketing orders and agreements give farmers a tool whereby they can make steady and significant progress in the direction of earning and getting their fair share of the national income.

There is a serious need for insuring the protection of present agreement and order programs and for giving proper safeguards under antitrust laws to this type of farmers joint marketing programs.

Food and drug act administration -- Fair and equitable administration of the nation's food and drug laws is essential if consumers are to have available an abundant supply of high quality, wholesome,

nutritious foods and if their confidence in this food supply is to be preserved.

Producers are as vitally concerned as consumers in maintaining the world's safest and most healthful food supply.

The proper use of chemicals has a growing and critical role in the production, transportation, processing and distribution of food.

Producers have the right to be free of the constant threat of sudden and arbitrary decisions concerning interpretation of laws on the use of these chemicals. Such arbitrary decisions undermine the consumers' confidence and can mean bankruptcy to farmers.

The Council strongly urges that the Food and Drug Administration follow procedures prescribed by the nonpartisan President's Science Advisory Commission whereby scientific judgment can be exercised in the administration of these laws.

Failing adoption of such procedures, corrective legislation must be sought.

Problems of rural America -- Along with meeting the specific needs of commercial agriculture as typified by the efficient and productive family farm, consideration must be given to the broad problems of rural Americans and to those farm families living in areas and under conditions not suited to competing effectively in producing the nation's abundant supply of food and fiber.

These problems require remedial measures specifically adapted to the situations involved. The National Council urges that appropriate steps be taken to maintain and expand the growth and development of rural America, which currently is facing significant changes and trends.

The Council also recommends that sound programs of long range land use adjustment, including soil and water conservation, be reexamined and strengthened as a means of assuring future generations the same abundance we now enjoy.

Thank you.

MR. MURPHY: Thank you very much, Mr. Brinkley for that very fine statement.

We now have with us the other new Assistant Secretary of Agriculture who was not here at the beginning of the conference when the rest of us were introduced. I would like to present him to you at this time, Mr. James Ralph of California.

Will you stand and be recognized? Shortly, I am going to open the meeting to questions and discussion but I have an announcement or two to make before that time.

We have been informed that employees throughout the government are being sent home at 1:30 this afternoon because of the impending storm. With that in prospect and considering the fact that we have advanced this far in this conference and it is now only quarter of 11 or so, we will contemplate the possibility of adjourning this conference before lunch and not having an afternoon session.

If there is sufficient demand for an afternoon session we do not propose to cut you off, but this possibility will be under consideration and a decision will be reached later, depending on the course of events.

I should repeat, I think, what the Secretary said at the beginning of the meeting, that those of you who might have papers that you want to put before this conference, be prepared to file them with the Secretary rather than reading them here. They will be made a part of the record. They will be fully and carefully considered, not only by people in the Department of Agriculture but will also be made available to the other participants in the conference who get copies of the proceedings.

I would like to say just a word about what I conceive to be the nature of this conference. I think its a fine and wonderful thing, but in a real sense it is, I think, just a beginning. It certainly is not the final word on the subjects we have discussed; neither is it the final opportunity that farm organizations will have to present their views to the Department of Agriculture and to have an exchange of views with the people in the department.

There has been, I think, a large area of agreement among the speakers here this morning. I am glad there has been. There has been some difference in emphasis, at least. There may have been even some differences of opinion about some of the specific issues that were mentioned.

In a conference of this size it is quite difficult to deal with specifics and to try to iron out differences of opinion. It is perhaps more useful to emphasize the areas of agreement.

Now, sooner or later, of course, you have to get to these specifics and you have to wrestle with the differences of opinion. There will be

opportunities to do this as the people in the department have to work on these things and they hope and expect to keep open regular channels of communication with all the farm organizations.

These communications, or most of them, will be initiated from our end. We hope you will feel free to initiate them from your end. There will be a time limit to the amount of talking we can do. We might get more pleasure out of that than anything else, but we will have to have a certain amount of time to do our homework as all of you will readily agree.

Having this in mind, I think I should say at this point that if there have been things said here this morning with which you are not in agreement, you are at perfect liberty to say so if you wish.

On the other hand, if you do not see fit to say anything about your disagreement at this point, you should by no means consider that you have forfeited any rights to express your views later on.

Now I think the time has come to open the meeting again to discussion and to questions for those of you who wish to ask them, and for those of you who have statements, if you wish to make them I'd like for you to stand and be recognized and when you stand, give your name, organization you represent and indicate whether you wish to make a statement or whether you wish to ask a question. If you wish to ask a question, state to whom it is addressed.

Now, will any of you who have statements to make or questions to ask, please stand at this time?

A VOICE: Mr. Secretary, by virtue of being a farmer, one of those people you have been talking about, I feel I have a right to talk. I feel like I am sort of a three time loser and to me, a farmer, a Republican, it is sort of like the story of the great three time loser--in an Edsel car wearing a Nixon button.

Mr. Secretary, I have some fair comfort from Mr. Herschel's thoughts and presentation from the Grange. I certainly have been impressed by Mr. Patton, realizing as President, as he is of the International Federation of Agricultural Producers, how he is respected in that organization.

I have been intrigued by Mr. Lincoln's suggestions.

The question is this, and I am here by virtue of being a representative of the National Beef Council, I thoroughly agree with the program of commodity approach to our farm problem; my question is, will the promotion of individual commodities by people of this country, will it cause a great amount of competition between these commodities and will there be a hardship on various groups by the promotion of individual commodities?

My question might be to Mr. Shuman since he is a member of the Farm Bureau.

MR. SHUMAN: Thank you. The question is whether or not the promotion of individual commodities would, I presume, injure other commodities?

A VOICE: Yes.

MR. SHUMAN: Of course, we are all competing for space in the human stomach and I presume that anyone who succeeds in getting more of that space will hurt somebody else who is also trying to get that space.

The real underlying question is perhaps how we could improve the coordination of our promotional programs. I don't think that promotion of red meats needs to be a kind of a promotion which disturbs the poultry industry, or vice versa.

If we go off in all directions at once, with compulsory check-off programs legislated, that is what we are going to get -- a dog-eat-dog situation. There are ways to work out coordinated programs for promotion of all of our agricultural commodities.

MR. MURPHY: May we have the name of the gentleman who asked the question?

MR. OLSON: Ralph Olson from Iowa.

MR. MURPHY: Other questions or statements?

MR. SCOTT: Vernon Scott, President of the American Cotton Producer Associates. In the interest of brevity I would like to read a statement that was passed at a meeting of the American Cotton Producers Associates.

We are in disagreement with Mr. Shuman's price plan for cotton. We believe that regardless of the type of program in effect, a loan program must be retained in order to promote orderly marketing, give stability to the price structure and protect the farmer from unforeseen conditions which would adversely effect the market price.

We recommend the 1961 price support for cotton be established at not less than the 1960 level program, provided that this level be not set so high as to effect cotton's competitive position in the domestic market and necessary adjustments made in the export subsidy to assure that U.S. cotton will at all times be fully competitive in the world market.

In addition, we recommend that announcement of price support levels and export subsidy be made simultaneously.

Mr. Chairman, we feel that producers cannot take a less price for their cotton next year and survive.

MR. SHUMAN: Mr. Chairman, might I comment?

MR. MURPHY: Yes.

MR. SHUMAN: I don't believe we are necessarily in disagreement because at least in our objectives, our objective is exactly the same as that of Mr. Scott and that is to have cotton compete in world markets.

We might disagree as to what price support would permit that to be. But I don't think the objective was in dispute.

MR. MURPHY: Thank you Mr. Scott, and Mr. Shuman. Are there other questions or statements?

MR. CHRISTENSON: Mr. Secretary, and gentlemen. I would like to make a short statement.

My name is Glenn L. Christenson. I am a cattle producer from California and past President of the Cattlemen's Association and President of the Western Beef Council and Director of American National, and I think the eyes of the cattle industry of the nation are directed to this point this morning, because we are in convention in Salt Lake City, and have asked a couple of us to appear here with you, and I am sure they are more than pleased with the Secretary's statement and the statement of these distinguished gentlemen with you.

We would like to make one comment on a statement of Mr. Newsom's in regard to commodity organizations. We are suggesting from our commodity group that we would like to have the Secretary appoint a 15-man committee of representatives from our cattle industry from throughout the nation to bring our problems closer to the Secretary, to be serviced from a commodity organization.

Thank you, very much.

MR. MURPHY: Thank you. Someone else now? The gentleman back here in the left aisle --

MR. KLEIN: Mr. Secretary and gentlemen, my name is Martin Klein. I am from Madison, Connecticut. I am a poultry farmer, Treasurer of the United States Poultry Association.

I realize brevity is the sole of wit, Mr. Chairman, and please feel free to interrupt me at any time.

My question is, when are we going to stop talking, gentlemen, in platitudes, and talk specifics? For years we have heard from the experts, and look at the plight that agriculture is in.

What is pressing as far as I am concerned, as the producer, is what we are going to do in agriculture about the preservation of the family farm?

Is the Jeffersonian philosophy passe'?

What are we going to do about vertical integration?

What are we going to do about payments to corporate agriculture?

These are the things that are pressing, gentlemen.

These are the things which I think have to be done immediately -- not the things which you propose today, which I think are very long range.

The only one I was very impressed by was Mr. Lincoln because, certainly, Mr. Shuman's presentation as far as I am concerned, seems to be a bit Neanderthal in thinking.

MR. MURPHY: The gentleman on the right of the aisle.

MR. WAYLAND: Warner Wayland, President of the Michigan Bean Producers Association.

A couple of years ago the price support of Michigan's beans was lowered to seventy-three cents to the farmers. This has caused a lot of trouble to the Michigan farmers as far as farm income is concerned. We represent thirty-five percent of the nation's production of beans.

I would like to ask the Secretary to consider giving us back that seventy three cents at least for the next production year. We are not asking for a whole lot but that we would like to have back; at least, we cannot afford any further cuts.

We are now in trouble in Michigan, bean price wise.

I would like to make one more comment. We in Michigan feel as though the Michigan Winter wheat could be expanded in production and sold without being detrimental to the Western States.

MR. MURPHY: Thank you. The gentleman on my left --

MR. POWERS: Jerome Powers, a poultryman from New Jersey and President of the U. S. Poultry and Egg Producers Association.

Our association sponsored the National Poultry Stabilization Act last year in Congress because we believe the poultry industry cannot exist under purely free enterprise conditions.

We also wholeheartedly supported the family farm income act of 1960.

Mr. Shuman made a statement that egg prices vary from 31 cents to 44 cents on an average. This is probably true.

Does Mr. Shuman also know that the cause of this rise was the bankruptcy of hundreds of thousands of poultrymen throughout the country and if chick placements continue as they are going today that we have every right to expect a 31 cent price again if not a much lower price than that in 1962.

What are your comments on this free enterprise situation?

MR. SHUMAN: Mr. Chairman, might I comment?

MR. MURPHY: Surely.

MR. SHUMAN: I have two references made here; the first one a minute ago about being specific.

Now my statement, if you recall, was quite specific. It was not dealing with platitudes. We were quite specific and used examples. To use the market price system, it does work when given an opportunity.

Now, I think the best demonstration that it does work when given an industry as the poultry and egg situation. Of course poultry and eggs are commodities which have a rather short cycle.

Much of the disruption in the planning to meet market demands which occurred on the part of producers was due in the beginning to government interference and then later to industry interference in the development of an integration system which was unwisely financed and unwisely promoted.

The answer is not more government. The answer is that that was indicated here by several on the panel -- not, unfortunately, in my statement -- but I agree with it 100 percent, in the organization of the market power of farmers to negotiate for prices, quantity, quality and timing of the sale. And I think that its very near to the time when that can be done in the poultry and egg industry.

MR. POWERS: You agree these improvements in market prices should be made at the cost of bankruptcy of other farmers?

MR. SHUMAN: No, sir.

MR. POWERS: That is what has happened in the poultry industry through the free enterprise system. Why is it in New Jersey we had 6,000 poultrymen a few years ago and today we only have 3,000?

MR. SHUMAN: The same thing is going on in all of agriculture. Farmers are using more efficient methods, producing more per unit and it is something that isn't related to anything that government can do or anybody else. It is a change that has been going on for generations. It is not going to be stopped by any law or anything we say here.

MR. POWERS: Of course not. What comment would you have on the fact that chick placements right now are increasing and there is the prospect to look forward to of a lower price in 1962, as low as we have ever had.

MR. MURPHY: I will have to exercise a prerogative of the Chair to cut this off pretty quickly.

MR. SHUMAN: Just the comment naturally in response to a rather large increase in price you would have an increase in production and that is a very good demonstration, proof that the system of supply and demand does work quite rapidly and effectively in the case of poultry.

MR. MURPHY: The gentleman there, right by the microphone.

MR. TAYLOR: My name is Taylor. I represent the American National Cattlemens' Association. I regret to say our President isn't here because we are having our annual meeting at Salt Lake, but as past President I would like to say, Mr. Chairman, that our association has individual cattlemen operating in forty-seven States with thirty-nine affiliated associations.

Now, we have traditionally and vigorously opposed all legislative proposals that would in any way put cattle under any artificially maintained prices or controlled marketings over continued subsidies.

We hope this group and this Administration has no intention of changing that sort of policy.

We have also kept our nose out of the farm program. We felt that when it didn't affect us we ought to keep quiet about it. But in some cases, it does touch us indirectly and only then do we have much to say about it.

So, Mr. Secretary we are happy as cattlemen to say that our business is in good shape without government interference and we just hope that you all will continue that same policy for the next four years.

(Applause)

MR. MURPHY: Thank you, Mr. Taylor.

There is another gentleman right near the microphone.

MR. BROOMS: My name is Carl Brooms. I am President of the National Association of Wheat Growers.

I would like to state briefly the objectives of our association. They are in two parts. One is improved farm income and the other one is lower government cost by reducing government held stocks.

I think I could say that the majority of those who have spoken here this morning agree with our two objectives.

We would have to disagree, however, with the American Farm Bureau Federation in the fact that their program does not align with our objectives.

Their program would tend to lower wheat farm income by basing supports of wheat in relation to wheat grain prices and they do not reduce government costs in held stocks since they would freeze government stocks in storage and permit additional production by allowing free acreage production.

MR. MURPHY: Thank you, sir.

MR. HART: I am Dan Hart, a cotton grower from Arizona representing the Arizona Cotton Growers' Association.

I think the good of this meeting can come from direct questions to your panel. I would like to direct this question to Mr. Newsom for a matter of clarification on the statement he made that they advocate more protection for the weak and more restraint for the strong.

In the West we become very much cost conscious. We know when our prices go down we have to become more efficient and to do that we have to increase our size of operation and total production.

So I would like to ask Mr. Newsom to clarify that statement, to protect the weak and restrain the strong.

MR. NEWSOM: This statement was made in connection, I believe, with our contention that we must have enabling mechanisms to broaden the bargaining power of the individual operator on soundly based farm family units who, in many cases, does not have the kind of bargaining power that has been attempted in several cases by a type of vertical integration wherein the producer loses practically all control of the matter of decision making, both in production patterns and in marketing processes.

Now, we believe that this sort of protection for the relatively lesser volume family operation as compared to the inevitably larger and larger corporate structure which we would have wherein virtually all of the labor that goes into that sort of an operation would have to be hired labor and not of an individual enterprise owner/operator pattern type is not the kind of vertical integration that pleases us.

We believe that we can acquire this sort of producer, management and control of the marketing as well as the producing operation by the sort of mechanisms that I think were spelled out in detail in a letter fashion by the presentation by our good friend Homer Brinkley of the National Council of Farmers Cooperatives.

In short, we are trying to say that we believe in an individual enterprise structure for a maximum number of American individuals and families and not for a continuing shrinkage of the number of units and an endless increase in the size of those units in American agriculture.

MR. MURPHY: The gentleman with the microphone right here.

MR. GOODE: Arthur Goode, President of the American Dairymen's Association.

I would like to read briefly from the statement we have prepared to get our thinking across.

We believe fundamentally in the commodity approach, of course, as a commodity organization. But our basic belief is that we do not have to do only as Mr. Brinkley has suggested, move industry into rural areas to help absorb the unemployment that is constantly there in the last few years.

Our belief is that in setting up a commodity program for such a commodity as dairy, that we must use the American industrial system precisely the same as it is used across the fence in the rest of America.

We believe that we have to have equal justice under law. If we are going to absorb such things as the American workers of industry, then we must have a price that enables us to pay American wages.

This will bring consumption to the rural areas and take away the difficulty that the whole economy is now suffering from which is underconsumption and a breaking down, a loss of economic growth every eighteen months to two years.

Now, that is the program that we feel is necessary. We feel that we have to have the American system. We are not asking for anything else from agriculture.

We believe we have to price in the commodities at least in the dairy commodities precisely as the other industries do.

We think we have to have that power. That is the bargaining power necessary to bring a price and bring income into rural America.

I do have a question here about the price of milk, Mr. Shuman.

You stated that our price is too low -- is not too low, but rather our costs are too high. What program do you have in mind that will bring the cost down outside of the cost increase through technological developments that might become available to us?

MR. SHUMAN: A brief answer to this is to cease the kind of actions by government which cause costs to spiral upward and if you stop the inflationary pressure, then the improved technological methods will help you reduce the cost.

A VOICE: What do we have in agriculture that is going to enable us to get a price that will allow us to pay for our labor?

You know, I am speaking of the dairy and we have a bigger labor problem than some of the other commodities. We operate 365 days a year and it has gotten to the point now, after forty years as Mr. Patton and Mr. Newsom pointed out, there has been no adjustment for agriculture in that forty years and the inequities have become absolutely fantastic.

We still have the seven day week. I have a man here, our representative in the State of Indiana, he is certainly what you would call a good, efficient farmer; milks forty cows by himself.

We haven't anywhere, any pricing structure that is similar to the pricing structures of the rest. All he got was raised prices and you have the same thing in labor. They raise our prices. We have nothing to balance it.

Even though we are still ten or twelve percent of the population, the rural area still constitutes thirty percent of Americans.

As long as we are depressed, even when industry moves in, they don't pay wages to industrial workers in the rural areas that they pay in the urban areas and we don't get the consumption from agricultural people or rural workers that we should get to maintain smooth economic growth.

MR. SHUMAN: I think the question he asked was a very good one. What assurance do we have in agriculture that we will get a fair price or a price that will pay our costs.

The best assurance is 180 million consumers plus the opportunity to expand our markets abroad, providing we are going to produce what the consumers want.

The best evidence that the market price system works is the fact that those crops which have had the most critical interference with price are the ones in the worst trouble.

MR. MURPHY: The gentleman over there --

MR. BROWNELL: Herbert Brownell, a dairyman from Mohawk Valley, New York State.

Since Mr. Shuman has kind of upheld the last Administration I would like to direct this question to him.

Does he feel in the last eight years that the dairy industry has had a fair shake when our price has been going down and do you feel that the dairy industry is given a fair price now?

MR. SHUMAN: Well, since the last Administration was mentioned I think I ought to say that we in the Farm Bureau will uphold the present Administration when we think they are doing well and I am very confident that they are starting out very sincerely to attempt to do a good job in this difficult area and our good wishes and support is going to be with them as far as we can possibly go.

Now, the question: I don't have the statistics immediately available on the eight year period, but I do have in mind what has happened in the two years since price supports were lowered.

The number of dairy cows in production have gone down. The productivity per cow has gone up. The per capita consumption of dairy products has increased and the average return to the dairy farmers is better than it was in the last year of the price support program, at a higher level.

MR. BROWNELL: Why has the increase per cow gone up?

MR. SHUMAN: I think it is a continuation of a trend that has gone on for years.

MR. BROWNELL: Because you have promoted an efficient farmer. They have had to produce more to live. That is why the production has gone up. I think its time to get the kid gloves off her and get down to some business.

MR. SHUMAN: That suits me.

MR. ADAMS: I am a live stock producer from Roswell, New Mexico, immediate Past President of the National Institute of Farm Brokers which is the largest organization in the world selling and exchanging farms, ranches, and rural properties.

We have our President, Mr. Leonard Kane, from Pittsburgh here.

MR. MURPHY: May we have your name, please?

MR. ADAMS: Wayne Adams.

Mr. Patton, on page 6 of your prepared statement you say this: "We oppose all legislation which would infringe upon workers' rights to bargain collectively."

Do I interpret that correctly to mean that you favor opening the door to union organization of farm labor?

MR. PATTON: No, and that is not what I said in the statement. I think the farm organization belongs to the farmers and I told my labor leader friends that; that I believe in a strong labor movement and I only regret that this meeting proves agriculture is so highly organized it is completely disorganized. They can't speak with a common voice.

Somebody talked about doctors here a minute ago and how, -- well, there are 228,000 doctors but there is hardly a Senator up here on the Hill that would dare to do anything that the American Medical Association wouldn't want him to do.

There are only a few hundred thousand lawyers and they would put you in jail if you went out and practiced law without a license.

We have so many voices we sound like a babble of voices.

Somehow, American agriculture has to organize itself. If we are going to deal with an administered economy and all kinds of private government running all the way from national government using patent systems, various types of administered control, then American agriculture is going to have to organize more effectively and I don't think the answer is to organize it through what you call union labor.

I believe very strongly in the labor union, but I don't think its place is in the field of agriculture. If we haven't enough intelligence to eventually organize ourselves as labor and as business has, then probably we are going to follow some of the suggestions which have been made in other areas that we eliminate enough so that the surviving few, will, of necessity and of sheer need for protection, sufficiently integrate their efforts so they can speak as nearly as one voice as does industry and as does labor.

MR. MURPHY: The gentleman over here --

MR. LAKE: Mr. Secretary, I am Glenn Lake, dairy farmer of Michigan and President of the National Milk Producers Association.

We have filed our statement of policies and objectives and our views on what we feel ought to be done for the nation's dairy farmers.

I would have of you, Mr. Chairman, a question. The question is based on the present state of flux which is resulting from a good deal of speculation concerning as to what is going to happen in the way of dairy price supports come April 1 and so therefore, my question would be as to whether or not the Secretary has given consideration to an early announcement of dairy price supports so that you can minimize this

speculation and the state of flux so the dairy farmers won't get hurt because of the situation that now exists.

Now, in the event you are not prepared to answer the question, I would urge that the Secretary give this matter serious consideration.

MR. MURPHY: I am not prepared to answer the question. I am extremely new here and haven't had a chance to see but relatively little of the Secretary since he came.

I know some of the things he has under consideration. On this particular one I have heard nothing, but the request you have made will be noted and I am sure respectfully considered by him.

MR. PACE: Stephen Pace of Georgia.

As we bring this meeting to a close, for the information of everyone here, is it my understanding that any person in the hall or any organization which he represents will have the privilege of filing statements with you or with the Secretary, is that correct?

MR. MURPHY: That is correct.

MR. PACE: And is there any limitation of time or do you suggest a limitation of time?

MR. MURPHY: There is no limitation of time within which statements may be filed.

I think there has to be a limitation as to the statements that can be put in at this conference. I would think it would be necessary to get them in today or tomorrow.

MR. PACE: Well, I am afraid that many of us would have to return to our offices, long distances from here, before they could be properly prepared and probably consult with other members of different groups. On my behalf and others, I ask for a little more time, say a week or something.

MR. MURPHY: I will try to find out about this before the meeting adjourns and if I can, I will make an announcement about it.

MR. PACE: Finally, Mr. Chairman, may I on behalf of everybody I assume, thank you and the Secretary for inviting us and your very gracious and impartial presiding in this proceeding.

MR. MURPHY: At this time I am going to ask Secretary Claude Wickard to make his way to the platform and say a few words to us and then we will have more discussion.

MR. CAMP: Mr. Secretary, I am Jim Camp of Dallas, Texas, member of the Texas Livestock and Meat Committee.

I would like to refer to Mr. Lincoln's presentation and direct a question to Mr. Lincoln.

In your opinion and as you referred in your presentation is legislation indicated insofar as the stores that you mention, both chain and independent integrating into feeding and processing and packing?

Is legislation indicated to prohibit or to stop that trend, and conversely is legislation indicated to preclude the processors and other manufacturers to aggressively integrate into the retailing?

Do you feel that Secretary Freeman, as he so efficiently pointed out that the consuming public of America spends only 20 percent of their disposal income for food as compared with 65 percent in Russia -- the balance is so delicate in this food industry of ours that integration could effect these prices, that makes these prices so attractive to Mr. and Mrs. Consumer?

MR. LINCOLN: Just from a preliminary standpoint and I say it very kindly it seems to me that there are areas here in which we've got to find out to what extent farmers could have further control over whatever part of machinery they feel is necessary in order to reflect to them the proper percentage of the consumers' dollar.

The legislation I am talking about would be entirely permissive. It is similar to the REA.

I don't think the farmers by themselves would ever have gotten the effect of rural electrification if legislation hadn't been provided to get adequate credit to provide a decent, needed service.

Now, what I am saying is that I think that same application ought to be used in order for farm groups of any kind, shape or fashion or others, to get into the business of trying to find out if we can't establish pilot plants to see what we can do to lower the cost of production and lower the cost of marketing and do anything else that would contribute to the greater net income on the part of the farmer.

I don't see why we haven't made any progress in that line. The area here that is going into distribution cost and consumer prices is not reflecting the percentage of return to the farmer that we think we are justified in having.

Now, I believe in the free enterprise system, but if integration is going to take place in poultry, dairy or anything else, I think the farmers ought to have their hand on the integration machinery.

I doubt very much if they can organize themselves on a large enough basis to get it unless they have a friendly source of credit and the proper return interest rate and the proper terms in order to enable them to acquire such machinery in order to serve as pilot plants and to do whatever else is necessary in order to see if we can't reflect a greater return to the farmer and at the same time keep the cost of food to the consumer within those limits that will allow for the greatest expansion of consumption.

MR. BUNDY: Ralph Bundy. I represent the fruit and vegetable bargaining associations in the United States.

I am from California and I should like to make reference to a presentation here and ask the members of the panel to comment upon it for the reason that many of you have made comments concerning bargaining power.

Those of us who have had experience in bargaining would like to find out whether or not you are in a position to take issue with the points that I should like to enumerate.

In order to achieve bargaining power we believe it is important that appropriate legislation and national agricultural policy climate be established that will enable farmers to voluntarily participate in and develop farmer owned and controlled bargaining and marketing associations that will be capable of improving prices with a minimum of government interference and a maximum of responsibility on the farmers and their organizations.

Specifically we would suggest that the Agricultural Marketing Agreement Act of 1937 be amended so as to enable the growers processing crops to utilize this law and furthermore, that legislation be prepared and recommended that would enable commodity groups to effectively utilize producer marketing programs that would enable such groups under democratic procedures to assume responsibility for attaining standards, engage in marketing promotion and develop programs to deal with commodity surpluses, prepare and recommend legislation that would enable farmer owned bargaining associations and their member to operate without discrimination and punitive action by the buyer of the commodity.

The purpose of such legislation would be the creation of a favorable climate to encourage farmers to voluntarily join in the establishment and continued operation of farmer owned cooperative bargaining associations.

Now, in terms of the concept we believe that it is essential to enable farmers to control a sufficient volume of a commodity under enforceable contracts with a cooperative marketing association or selling agency under farmer control to influence the prices and terms of sale of the total crop.

We believe it important to make available ways and means of diverting a surplus or otherwise managing such surpluses to achieve market stabilization through marketing orders or agreement.

We believe it is important to enable producers to gain a knowledge of the market and those factors that influence the market, equal to the buyer and distributor in finished work.

We believe it important to be assured and clearly understand the limitations as well as the potential of the bargaining power and put that power to use as a business tool.

We believe that a national policy should make it clear to all concerned that farm commodities are subject to substitution or replacement in the market place by another commodity.

Make it clear that farm commodities are subject to the restraints and influences of the economics of the market place, namely: supply, demand, competitive product from home and abroad, and response of the consumer.

Make it clear that farmer bargaining power is a business tool.

Make it clear it must serve a capitalistic purpose; a farmer is basically a capitalist and a competitor who risks his capital to earn a return.

Make it clear it is primarily a marketing function that involves the selling of specific goods and not a bargaining product.

We believe that such a national policy is important and should emphasize that farmer bargaining power to be effective needs to adopt some of the devices employed by business such as the control of the supply, demand and consumption of the commodity and utilization of such business practices as administered prices.

MR. LINCOLN: Mr. Chairman, I will start off because he addressed it to the whole group, if I understood him. In the main, I would say you have been talking about what I have been talking about.

MR. MURPHY: Any other comment?

MR. BRINKLEY: I think what has been said has been said better than what I said in my address. I think I am in complete accord. I think that the only difference might be that I would not put emphasis on any particular type of organization.

I would treat them all as economic instruments of farmers with the type and structure of the type organization to be adopted to the particular condition and the particular commodity and time and place where the operation took place.

I agree thoroughly with the principles you have stated.

MR. MURPHY: Mr. Newsom?

MR. NEWSOM: I would like to say I think it would be a little risky to try to comment on the entire statement that he has just read without having a chance to look it over, but I didn't hear anything in the statement at all that I don't think would be in strict conformity with the position of the Grange.

I would like to add this one thing. If you happen to have a copy of our prepared statement you will discover that at the bottom of page 3, the last short paragraph, a three line paragraph, we have made reference to the necessity of establishing under this sort of premise that you are talking about as I understand it -- you will need to have some sort of a yardstick to establish the point at which we must either discipline ourselves or be prepared to be disciplined by society as a whole if we get the kind of bargaining power that I believe you are talking about and we think it is highly incentive.

MR. MURPHY: Mr. Patton?

MR. PATTON: Mr. Chairman, in general principle I agree with what he said.

I want to say, however, that in certain commodities I think it is necessary to have national marketing agreements rather than area marketing agreements.

In the peach industry we can be done out of business in Colorado because they bring certain quantities of peaches in from other locations.

I want to refer to one other thing and that is if we are really going to get bargaining power, then we are going to get enough capital through an REA loan system which the Farmers Union proposed in 1949 to set up a nation wide system of marketing and yes, distribution so that we vertically integrate this whole business the same way the chain stores are integrating at the present time and they must be owned by the farmers.

I would say the distribution ought to be owned by the farmers and consumers.

MR. MURPHY: Mr. Shuman?

MR. SHUMAN: I think Mr. Bundy's statement is significant and certainly, there will be need for legislation as we develop more experience in developing marketing power.

I am sure we generally agree with most of the points.

I want to study all of it to be sure what some of the implications might be. Undoubtedly there will be need for legislation to provide the authorities and the climate for development of marketing organizations of farmers.

I don't go as far as two of the members of the panel but we certainly all agree we need more marketing and we need it organized by farmers and controlled by farmers and not by government or consumers.

MR. CLARK: Dan Clark from Arizona. I will make my question very brief.

I want to ask you and the Administration how long are we going to continue to let the State Department interfere with our normal economic operation. I am going to speak about cotton.

In Arizona we produce a lot of long stem cotton, the finest produced anywhere and we have gone out and raised lots of money to promote the sale of this cotton on our own.

Each farmer now puts up \$3 a year a bale and we are proud of our accomplishments. Every year we are faced with 80,000 bales, and I shouldn't say of inferior cotton, but being imported whereas about three fourths of our production goes into commodity corporation stock-piles.

I think the new Administration should be aware of this fact and it just doesn't seem fair that we should be penalized.

Here we are -- a free country and producing a quality product and not going to the government for help. We are raising our money to promote this product.

I know you can't answer it, but I want you to be aware of the fact that it is not fair to be importing 80,000 bales of cotton when we can produce better cotton of substantial quantities in the United States.

MR. MURPHY: I appreciate your recognition that I cannot answer the question, but it will be very carefully considered.

MR. CLARK: Mr. Claude Wickard knows about it and the gentlemen at the panel.

If any of them have an answer, I would like to have it.

MR. MURPHY: I would like to interrupt the regular order of proceedings at this time, briefly, if I may, to exercise the privilege of presenting to you for a few remarks a great public servant who was at one time the head of this great department.

Because of the distinguished public service that he has rendered; because of the many friends that he has here in this audience and because of our great pleasure of having him here, I would like to ask Claude Wickard to speak to us briefly about whatever might be in his heart and mind.

MR. WICKARD: Mr. Secretary Murphy, members of this very distinguished panel, I don't think I can contribute very much. I don't want to try to answer the question the gentleman just asked about the cotton. I have enough problems with my paint business and things of that nature.

I feel encouraged today and I have seen a lot of things in the last few years that have discouraged me. I left home pretty discouraged for this meeting.

I will say that I think the farm economic situation is a lot worse than even we farmers know it to be and I say that sincerely.

But to see the members or representatives of five farm organizations come here today, delighted apparently in what they should be achieving, perhaps telling someone how to accomplish it is a sign of encouragement because I think the farmers are shrinking as compared to the non-farm population.

I have seen times, members of the audience and this panel, when the people who represent your organization are in a lot more disagreement than you are. I am glad we are making some progress.

I thought of this this morning as I heard Secretary Freeman discuss the objectives as he saw them.

Of one thing I am sure of. He has a more difficult job than any Secretary of Agriculture ever had before him. I believe that thoroughly because of the world situation, the domestic situation, because of the big stockpiles we have and the sort of disrepute that the farm people and their programs have fallen into in the past few years.

I sincerely hope that everybody here in this great group of people give Secretary Freeman their support as far as possible in good conscience because when you support him, even though there may be some lines of disagreement, but when you support him you are going to support the farmers as he is their representative in so many places in our government.

There is just this one thought I want to add. I am not sure how many more times we farmers will have an opportunity as we now have to persuade the Congress and the Executive Branch of the government that we farmers do have a problem. That problem must be solved by national action and let's don't pass up this opportunity because it may not come

too many times again when we can get together as we are getting together here and present our views and unite as we must unite, if we are going to preserve the American system of agriculture which, after all, is a most precious thing that we have to work for and to achieve.

MR. MURPHY: Thank you very much, Secretary Wickard.

I am now in a position I think, to announce that papers filed on or before next Wednesday, the 1st of February, will be included in the proceedings of the conference. I hope that will be of sufficient time.

Thank you.

MR. WHISTLER: Mr. Chairman, first of all I will say my name is George Whistler from Indiana, a dairy farmer out here helping to support the National Dairymen's Association.

Our feeling here is that we are here today with something a lot more serious than just a half day's meeting, a couple of hours of discussion.

If the agricultural economy falters in this country, a lot of us would have on the uniform and the country would go down the drain.

I would like to make a motion before this thing gets out of hand that the discussion and stuff we have heard here has been very informative and I would like to hear more and I will make a motion from the floor that we do not adjourn this meeting at noon; that we return and get in the discussion more heatedly than we are.

There are fellows who drove a thousand miles and I would like to spend the biggest part of one day hearing and discussing some of the things we have.

Now I am naive enough to think that we can help a little bit. We was asked to come here and we intend to help. How much good its going to do, I don't know but I believe we need the biggest part of this day, storm or no storm.

Thank you.

MR. MURPHY: I will promise at this time that I have no purpose or desire to cut off the discussion so long as it is productive.

This time I am going to recognize the gentleman back there.

MR. SCOONOVER: Scoonover, of the Dairy Farmers of America.

We have given or filed, a Bill of Rights. We agree with Mr. Patton and some of the other gentlemen that dairy farmers along with other

commodity groups must have a bill of rights that will give them bargaining power comparable to labor which we haven't at the present time.

We have four cooperatives in our great New York milk shed who have to inform Mr. Shuman that in 1958 the price of milk to New York State farmers at the farm was 8.6 cents a quart.

In 1959 it went up to 8.7 a quart and in 1960, it went to 8.5 a quart. That was the average for all milk sold.

That is the federal government's report if you wish to check that.

Now, we want some legislation that will give farmers the power to bargain. Our cooperatives have not bargained because the price we are getting for our milk has been a minimum set for it by the federal order, order 27.

Now, there is a peculiarity in this. Mr. Shuman said he didn't believe in controlled production and that is about it but in the Northeast, there are eleven States and nine federal orders that use $73\frac{1}{2}$ percent of the milk, milk being bottled and bottled cream, class one milk as we know it in the Northeast.

We have put on the market a surplus of five billion, seven hundred million pounds of milk which is about our national surplus.

Now, the peculiarity is in the New York market the actual dollar and cent per cwt. price was \$4.32 that the farmers got.

If the farmer had cut back his production to just a class one need of 73.5 percent and sold $73\frac{1}{2}$ pounds of milk instead of 100 pounds of milk he would have got \$4.41 if he got the class one price as set by the government, but he got \$4.32 for that hundred pounds of milk. He produced $26\frac{1}{2}$ pounds of milk for nothing and then Mr. Shuman says we don't believe in production controls.

Now I believe that I would rather produce $73\frac{1}{2}$ pounds of milk and get a profit of nine cents more than I got for producing 100 pounds, but we can't do it without legislation because during the War we increased our production to win the war and we did it with a subsidy and we suggest a subsidy be used to decrease this production and take this surplus of milk off the nation and set up a group of farmers in New York State with the potential of coming back for milk for peace when the government has figures out how to use the surplus for peace.

We should cut back our production with the help of the Agriculture Department and get the \$4.41 for 73 pounds of milk. Its a lot better than \$4.71 for a hundred pounds of milk.

What you think of that, Shuman?

MR. SHUMAN: Its a free country and everybody is entitled to a difference of opinion and whether or not its one person of fifty thousand or as in our case, 392,000 dairymen, they are all entitled to their difference of opinion.

MR. ELLIS: My name is Clyde Ellis, General Manager of the National Rural Electric Cooperative Association.

Two points on which I had hoped we would all be in agreement. One, the area development bill which is S.1 has a section in it for rural development.

The provisions of the bill provide for lending, among other things, provide for encouragement of development in rural areas.

The Department of Agriculture has several lending programs in rural areas.

The Department of Agriculture in the past few years has sponsored a rural development program and now has two hundred pilot counties moving in this direction, mostly in the four depressed areas.

It is the opinion of several of us who studied that bill that there ought not to be set up another agency in duplication here and that the Administrator of the Rural Development Program should delegate to the Secretary of Agriculture the administration of that part of the program for rural areas.

I think it is mostly an urban redevelopment bill, but certainly there would be some work in rural areas.

I would hope we could all agree on this. Otherwise, there is going to be hopeless duplication.

The second point is a third of the American farmers still do not have telephones. We simply cannot have good electric service in rural areas without telephones to report those outtages quickly. Another third still have the old crank type phone and not good service.

I would hope we could all get behind a real rural telephone program. I think cooperatives are the only agencies that will be able to do it in most of the areas that are left.

We are concerned on the rural development program that if we keep on getting more idle service in some States, one out of five homes are idled down, the rural electric cooperatives in these depressed areas are going to go broke.

I hope you could join on those two points.

MR. GOEPPINGER: Mr. Goeppinger -- Walter Goeppinger from Boone, Iowa, President of the National Corn Growers Association and President also of the U. S. Feed Grains Council.

I am going to speak to you for a moment about our feed grains, one of which alone is the largest crop grown in the United States and occupies the most land area used in crop and probably has its highest and greatest total dollar value.

We are here today for just one purpose, and that is to see that the net income to the U. S. farmer is raised from its present level. That is the nub of the whole crisis.

In Iowa, the total net income to farmers in 1958 was about \$4600 and by 1959 it had dropped to \$2900. That is about half of what the city compatriots were making as a net family income.

We can see how dramatic this drop has been in net farm income.

Now, our prices that we receive are determined by three things. One is the sale of the current production that we raise.

Second, the sale of the stocks on hand that are carried over.

Third, the way in which we make available these supplies to the market.

Now, if we are going to get higher prices for the things that we sell, we have got to do several things.

First, production and consumption must be brought into balance and that can be done by two ways; either increasing consumption or reducing production.

Secondly, a policy of our grain reserves must be determined.

Third, the method of getting the prices.

Now there is one more point that has not been touched upon here yet today at all. I don't believe it was, and I listened closely to the speakers and that is an extremely important point and that is what is the policy that the Secretary is going to use in determining the level of reserves of feed grains that we must have in the United States.

Now, today feed grains in total as reserves -- I don't say surplus -- I say reserves -- amount to about one half of a year's supply and consumption.

Let me restate that. I was incorrect.

Feed reserves today amount to about half of a year's consumption. We have about 77 million tons of corn, oats, barley and grain sorghums on hand and we are consuming at the rate of close to 160 million tons.

I think it is extremely important that this reserve condition be studied and a policy determined upon.

Now, many people feel that this mountain of grain that we have on hand is something that would last several years, even if we didn't produce anything and that is an extreme fallacy.

This reserve as of now is at one half of a year's supply needs and honest to goodness, something to be proud of. Its a reserve that we probably should determine very close to present levels if we are going to reduce it and if we are going to reduce it, it should be done in an orderly way so it does not affect our price structure.

There are many ways this can be done. It can be utilized in a defense food stockpile. It can be utilized as a portion of the payment in kind. It may be used as a land rental, if such a system be established as part of the new agriculture program.

It can also be used in feeding the needy as the new President and Secretary of Agriculture announced recently.

But I point out this matter of the level of reserves so we do keep it uppermost in our minds as a matter for consideration.

I just want to say that those of us in the National Corn Growers Association and the U. S. Feed Grains Council look at our problems of agriculture as a problem of acres.

This is a joint effort to solve our problems and although on a commodity to commodity approach it must be regarded by joint effort because we are selling the products of acres that are interchangeable between cotton and corn; oats and sorghum and many other commodities and even though the hog men, cattle men and poultry men feel they are by themselves in their commodity, nevertheless, they are definitely affected by what we do in feed grain and what we do with pastures.

I will say that the stocks of grain on hand can be used for a number of purposes and one of them I didn't mention which is the payment in kind in the export subsidy.

This has been a very potent tool in keeping ourselves well priced in relation to the world price levels and I hope the present Administration will carry on the system of use of payment in kind in export subsidy.

Thank you, very much.

MR. MURPHY: Thank you.

The gentleman right over there --

MR. LITZELMAN: John W. Litzelman from South Dakota and national president of the National Livestock Feeders Association.

I want to thank the Secretary and panel for a very enlightening presentation. I want to reiterate and agree with what my good friend Judge Taylor said, that the livestock industry as a whole has never participated nor have we entered into controversies of or with the other commodities of agriculture.

We feel that being the largest segment of the livestock industry we have held ourselves aloof asking no help.

We are one of those strange individuals who have tried to help themselves and feel that we are doing a very good job.

We have filed our statement and I would just like to make a few remarks from the statement, that we feel there is no surplus in meat today. The product is moving along rapidly into the market and our consumption is good.

We feel that the livestock industry as a whole, is in a state of good health. I would just like to read two short paragraphs from my statement.

Before that I would like to say this, Mr. Secretary, that our organization has endeavored to cooperate with the Department of Agriculture in the past in ironing out any problems that we have in the livestock industry and I think you can freely call upon us in the future to continue our cooperation.

I would like to say that the National livestock feed association has always declared itself against government programs involving livestock and in recent years has fought vigorously to keep the industry free from restrictions and regulations which would be bound to accompany price support subsidies or incentive payments.

My parting statement to this august body would be in brief, that we urge the use of emergency measures only in those areas where actually needed and involving all segments of agriculture.

Thank you, very much.

MR. MURPHY: There is another gentleman there seeking recognition.

MR. METCALF: Mr. Secretary, my name is Metcalf and I come from the little State of Texas.

With me -- and I am President of the National Wool Growers Association -- are Mr. Jim Brown of Colorado, President of the National Lamb Feeders Association and Mr. Don Card of Utah, President of the American Sheep Producers Council.

We have all filed briefs this morning which are not in conflict with our customary views, one to the other.

We did want to call your attention to this, which is, briefly, our situation. Like all facets of agriculture, we have our troubles and our problems. We have some problems similar to those brought to your attention by the gentleman from Arizona dealing with the cotton which is seriously affected by the introduction of foreign lambs, foreign wools and textiles.

We have presented these briefs in detail, but would like to call your attention to the fact that here now they are very limited in nature, and we would like to feel free in the future to consult with the Secretary and his staff relative to our problems.

MR. MURPHY: Thank you very much, Mr. Metcalf. I would like to repeat and emphasize that we look at this as just a beginning for a process of communication between the department and you people on the other hand and the farm organizations on the other.

There is, of course, the National Agricultural Advisory Commission. The new Chairman, I believe, was introduced to this group earlier today -- Mr. Harry Caldwell of North Carolina.

This commission will be supplemented and strengthened by the formation of committees dealing with the various commodities.

I think this will give an organized and I hope, a rather orderly structure for communicating. It will not be an exclusive means of communication, and communications will be welcomed at all times.

There is a gentleman seeking recognition over there --

MR. BOYKINS: Mr. Secretary, I would like to direct these remarks to Mr. Shuman.

I am A. T. Boykins of South Carolina, in the cotton section of South Carolina, and I would like to make my remarks with reference to the agriculture in general.

Mr. Shuman has digressed a good bit about efficiency to save the day in agriculture and I feel like he may be all right, no doubt practical.

The process of efficiency on the part of the agricultural industry has brought about a good bit of increased production we know, but our

total income has decreased about 30 percent as a whole; whereas in other industries they have had increased production and about a 75 percent increase in total income.

Where will agriculture and the national economy of this country be in about another eight years on such an efficiency program with another thirty percent decrease in agricultural income?

MR. SHUMAN: Mr. Chairman, the gentleman certainly read some interpretations in my remarks that were not there.

I did not, and I say this very distinctly, I did not say the deficiency would solve our problems. I proposed a very specific crop line adjustment program and we propose very many other specific activities, involving both government and non-government to deal with this serious problem which I agree with you exists today.

It is in part, of course, a result of increased efficiency but it is not entirely due to efficiency. It is in part due to the interference of government with the market price system.

MR. BOYKINS: You say the interference of government with reference to control. Do you have any remarks on that?

MR. SHUMAN: I beg your pardon?

MR. BOYKINS: With reference to the controls you are referring to, that is government interference.

MR. SHUMAN: I am referring to price fixing.

MR. BOYKINS: Well, the matter of price fixing would be more or less in coordination with control.

MR. SHUMAN: They are all part of the package of government intervention which is our major problem. Our greatest problem in agriculture today with the surpluses is the result of unwise governmental activities of different kinds, not efficiency.

I don't think that any of us in agriculture want to charge the increased deficiency up with the major cause of our trouble. Certainly, increased deficiency has been a problem.

MR. BOYKINS: Would you answer the question? Where will it be eight years from now with 30 percent more decrease in farm income?

MR. SHUMAN: I don't think anybody is advocating that.

MR. BOYKINS: I say the extreme program we have been operating with in the past eight years --

MR. SHUMAN: It is the same program we have been operating under the last eight years. I certainly agree with you that the kind of program the Congress has left in effect is an interference with the market price system, and has got us in much of the trouble in the last 8, 10, 12, or 30 years.

MR. BUTTERFIELD: I would like to make a motion that we adjourn for lunch and return at 1:30.

MR. MURPHY: I would like to try at this time to get the consensus of the meeting about our program for the rest of the day.

You have heard the suggestion that we adjourn now for lunch and return this afternoon.

Now as a preliminary matter I would like to ask all of those who have not spoken thus far and who have statements this afternoon, if they would stand.

I see about six or eight.

Now, in the light of that, I suppose we might try this once again. We have, I think, two reasonable alternatives. One is to run on and get these statements which may take a half hour or so and adjourn the meeting for the day. The other alternative would be to adjourn for lunch and come back.

All of those who think it would be better to complete our business before we adjourn, will they be good enough to rise? Thank you. Those who think it would be better to come back this afternoon, will they be good enough to rise?

It is my judgment that those who thought it would be better to continue our business and adjourn were a larger number, and with that in mind I think we should go along for awhile.

Now, is there someone who would like to be recognized to make a statement or ask a question?

MR. BROOM: John Broom, North Carolina, President of the National Potato Council.

I would like to make a statement for the record. Any program of adjustment in acreage of basic crops such as adjusted acreage should have its identity and at no time be allowed to produce other commodities such as potatoes, vegetables or corn and non-commercial items or what you might have.

I think that is one of the fallacies of the past. We lose the identity of our diverted acreage and that acreage subsequently went into crops that built surpluses in other fields remaining in the basic commodities.

The American gross national product comes, as I understand it, 65 percent from agriculture, based on agriculture, either going from the farm or coming back to the farm.

I would like to emphasize that no economy can stay healthy if it is riding on the back of a bankrupt industry and you cannot get around this fact.

The entire American economy is still based on agriculture because 65 percent of our gross national product as I said just now, is based directly on agriculture from, or returning to the farm and I think Secretary Wickard said that we, as an industry, are near bankruptcy and we admit it and if we who are living on depreciation don't have some relief soon, I don't know what will happen to the entire economy of our country.

MR. MURPHY: Someone else?

MR. STANLEY: Mr. Secretary, Stanley, of the National Farmers Organization.

Certainly, the conference called here today is commendable, but I feel that due to the lack of enthusiasm and lack of determination that we are showing here as leaders today to meet the problem that we feel that is a very serious crisis in American agriculture, that maybe due to this fact that we are not using and showing the enthusiasm and determination that we should is because of the fact that we have not encouraged the farmers to realize their problems and do something about those problems and that maybe it is our responsibility.

In fact, we believe it is our responsibility as farm leaders to say to the American farmers they have an obligation and responsibility to organize effectively, to have the encouragement of the government to organize because they are in a bad situation here today.

In fact, it is a ridiculous position in the marketing system today where the American farmers are the only segment of our economy that goes to the market place and says, "what will you give me" after having their investment in their production and labor without having a voice in the price at the market place for their products.

Certainly, we in the NFO express our willingness to cooperate and support all efforts to raise farm income immediately.

We believe there must be a working partnership and an understanding between the government and the farmers and producers and certainly in our statement we have filed we believe that it is time to inform the American farmers through all the leadership available in agriculture, that it is their responsibility to resume their responsibilities and that also it is a responsibility of the government to assist in a working partnership. Thank you.

MR. MURPHY: Thank you. Now, who else desires to be recognized?

MR. COLLINS: My name is Bob Collins, California Cattle Association. In Pacific cattle we feel we have made some rather effective steps in bargaining. Ralph outlined those to you and I'd like to say that we feel on a national basis that they can be very helpful to farm groups in increasing their bargaining strength.

We are lease-lending to you our Director of Agriculture, Jim Ralph, who has a lot of know-how on those programs and we certainly recommend that you utilize him to the fullest on that because they can be extremely helpful to agricultural groups, maybe not major commodities, but specialized commodities.

MR. MURPHY: Thank you, very much. Now, the gentleman right here --

MR. NUNN: Alexander Nunn of Alabama. I would like to direct two questions to Mr. Shuman.

Mr. Shuman said in his statement, the Agricultural Act of 1951 has resulted in a substantial improvement in the cotton and rice situation.

In the case of cotton, exports have increased.

Mr. Shuman, will you tell us what a substantial increase is to you in cotton consumption, either locally, domestic, or in export?

MR. SHUMAN: The level of consumption, both domestically and foreign, has increased materially and whether or not this is substantial I suppose is anybody's guess.

I call it a substantial increase.

MR. NUNN: What are the figures, Mr. Shuman?

MR. SHUMAN: I will have to look them up. You probably have them. Give them to us.

MR. NUNN: Yes, I will give them to you.

Three years, the 1958 Farm Bill, since that was passed, 26.2 million consumption; three years previous to that, 25.8; three years previous to that, 26.9.

That is domestic consumption.

Now, Mr. Shuman, my second question is you said that there is no need for new legislation on either cotton or rice. I would like to get you on record here and see what you mean. I am sure you know in grade and stable change in the 1958 law it will cut cotton prices about two cents per pound.

Are you saying that for cotton? In the West this year, we are going to set the price level at 33 cents below what the growers got last year.

MR. SHUMAN: That wasn't our recommendation.

MR. NUNN: What is your recommendation?

MR. SHUMAN: You can find it there. You quoted from it.

MR. NUNN: I have already got it.

MR. SHUMAN: Go ahead and read it.

MR. NUNN: You said here, "In view of this, we recommend the support price of the above 70 percent but not more than 75 percent of the parity price."

MR. SHUMAN: That is correct, somewhere between the legal minimum for 1961 and percentage applicable to the choice cotton of the 1961 crop.

MR. NUNN: In other words, you are saying to the cotton growers of the South we will set the price support level 2 to 3 cents below what it was in 1960 for cotton.

MR. SHUMAN: We didn't say that.

MR. NUNN: Yes, you did just say it.

MR. SHUMAN: No, we didn't.

MR. NUNN: You just don't know what cotton legislation is then.

MR. SHUMAN: We said somewhere between the legal minimum.

MR. NUNN: That's right, and 75 percent this year would be about 2 cents under last year and if you take somewhere between your 70 and 75 you take off a cent. We will be glad to report that.

MR. SHUMAN: Your figures are certainly correct and I would appreciate you helping get the information around. We understand that they are quite pleased -- the cotton pickers are quite pleased -- with the increase use of cotton and the prospect of further use of cotton.

You gave the domestic figures. You didn't add to it the foreign sales which are up materially. So you have to take the whole picture.

MR. NUNN: Be glad to give you that.

These figures are 16.5. The three previous years, 15.6. (Pause)

MR. NUNN: Now if you go back to 52-54 which is not a comparable period, you recognize as well as I do what happened in that period when Mr. Benson was doing nothing about supports.

MR. SHUMAN: I would argue that it was a more comparable period than you use. Figures don't lie, but you can take figures and prove any point you want to. This has been demonstrated here.

MR. NUNN: There is no sense, Mr. Secretary, in having that sort of statement made to this group.

Mr. Shuman knows better than that.

MR. SHUMAN: You can prove anything by taking the base period which suits your convenience.

We had to take one base period and you took another.

I don't say ours is better. I am just saying whatever base period you take --

MR. MURPHY: We should terminate this exchange at this point, unless you had something else, Mr. Shuman.

Anyone else?

A VOICE: I think probably the greatest problem here today is that a lot of farmers came down here, came as organizations or interested individuals, came believing that Mr. Freeman and yourself and President Kennedy would try to protect a family farm.

We know that in order to do that you have to run a successful business.

Now, let's examine what is the most successful business in the United States today or in the world for that matter. That is industry and here is the way that they do it.

Now, Industry prices their product and they manage their products. We all know that that is only a sensible way to conduct business. They take care of their advertising and then put their product on the market.

There is nothing that will guarantee that they can just keep selling anything at any price. But we do know that their products are priced on a cost of production basis and that is something that any business has to operate on or its got to go out of business.

Now that we know. We have played efficiency up so far. Let's start getting the price. Let's operate this from both ends, not just one.

This has all got to make sense and unless we do unless we develop our ideas, it is nothing.

There is one thought I would like to leave you all with here today as individual farmers and that is this, that regardless of who prices your product, when it leaves the farm, he is going to price it to his own best advantage whether that be the processor or yourself -- you suit yourself.

Thank you.

MR. MURPHY: May we have your name for the record, and your organization?

MR. GARY: Russell Gary from Wisconsin. I represent the National Dairymens Association.

MR. BOWEN: E. T. Bowen, Cotton Farmer and Farm Bureau Member, Blaney, South Carolina.

Having learned of the proposals of the various Farm Organizations, as represented here today, I heartily agree that our agricultural problem is very hard to solve.

I cannot see wherein Mr. Shuman, Head of the Farm Bureau, represents the cotton farmers of South Carolina for the good and betterment of their industry. He stresses efficiency and freedom of control as the only method to reestablish agriculture on a sound and successful basis. We, the cotton farmers of South Carolina, realize through the past years, when freedom and efficiency were practiced 100 percent that too much bankruptcy and poverty resulted. He apparently advocates the abandonment of control and price fixing and attributes the dilemma of agriculture to Government regulations. I feel that his statement and opinion are not supported by the facts. For example, the most rigidly controlled crop that the Government controls is tobacco and the success and income from that program has been very favorable. Why couldn't that sort of program be carried out just as well for other products?

Being from South Carolina, I would like it to be noted that the Farm Bureau is the largest farm organization in that State. But it does not represent the thinking and feeling of many genuine farmers, because its membership is comprised mostly of absentee farm owners whose income comes largely from other sources.

MR. MURPHY: Anyone else like to be recognized at this time?

If not, I think we should bring this meeting to a close.

I would like to ask if there are any of the distinguished members of our panel who would have any further brief comment?

MR. SHUMAN: Mr. Chairman, I would just like to say on the expressed opinions of the members of this panel that we do appreciate this opportunity and we appreciate the opportunity to have the expressions of opinion of other organizations.

I am sure all of us have gained by this and express our thanks to Secretary Freeman for making this meeting possible and also our appreciation for his willingness to hear suggestions from all farm organizations.

MR. MURPHY: Thank you, very much.

I am glad to express gratitude on the part of the Secretary and the other people in the Department to these members of our panel, from these leading farm organizations who have come here and helped us so ably and would also like to express our thanks to all of you who have come to this meeting.

I know this record will be very helpful to the Department, especially to us who are new to this department and I would hope this exchange of views will be helpful to all the farmers of America.

Thank all of you, so much.

Unless there is something further, I now declare this meeting adjourned.

(Whereupon, at 12:35 o'clock p.m., the Conference on Policies and Programs for American Agriculture adjourned.)

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